

CITY OF CHANUTE, KANSAS

Financial Statement and
Independent Auditors' Report with
Supplemental Information and
Federal Audit Compliance Section

For the Year Ended December 31, 2011

CITY OF CHANUTE, KANSAS

For the Year Ended December 31, 2011

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CITY OF CHANUTE, KANSAS

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commission
City of Chanute, Kansas

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of the City of Chanute, Kansas, as of and for the year ended December 31, 2011. This financial statement is the responsibility of the City of Chanute, Kansas' management. Our responsibility is to express an opinion on the financial statement based on our audit. The prior year summarized comparative information has been derived from the City's 2010 financial statement and, in our report dated June 1, 2011, we expressed an unqualified opinion on the financial statement of the City of Chanute, Kansas, prepared in accordance with the statutory basis of accounting.

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 we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City of Chanute, Kansas has prepared this financial statement using 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 effects on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Chanute, Kansas, as of December 31, 2011, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

In our opinion, the financial statement referred above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Chanute, Kansas, as of December 31, 2011, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2012, on our consideration of the City of Chanute, Kansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures-actual and budget, individual fund schedules of cash receipts and expenditures-actual and budget, schedule of cash receipts and expenditures-agency funds, schedule of cash receipts and expenditures-component units (Schedules 1, 2, 3, and 4 as listed in the table of contents) are presented for analysis and are not a required part of the statutory financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 23, 2012
Chanute, Kansas

CITY OF CHANUTE, KANSAS

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Add Encumbrances and Accounts Payable	Cash Balance December 31, 2011	2010
General Fund	\$ 392,601.11	\$ 5,813,032.53	\$ 6,143,004.11	\$ 62,629.53	\$ 163,512.00	\$ 226,141.53	\$ 584,380.73
Special Revenue Funds:							
Industrial	109,390.97	51,155.35	86,632.55	73,913.77	151.71	74,065.48	112,874.15
Library	6,878.85	285,356.66	292,235.51	-	-	-	6,878.85
Library Employee Benefits	241.97	43,598.60	43,840.57	-	-	-	3,691.77
City Employee Benefits	428,531.59	490,691.31	688,978.60	230,244.30	2,205.00	232,449.30	429,347.09
Special Liability Expense	518,166.19	3,828.89	28,441.03	493,554.05	2,200.50	495,754.55	518,166.19
Recreation Complex	-	204,371.53	83,761.97	120,609.56	3,658.55	124,268.11	-
Special Parks and Recreation	149,560.24	24,647.74	38,238.51	135,969.47	17,591.13	153,560.60	149,560.24
Special Alcohol Programs	122,115.03	22,155.16	29,229.72	115,040.47	147.79	115,188.26	124,113.03
Tourism and Convention	76,099.75	49,175.44	80,500.00	44,775.19	7,500.00	52,275.19	76,099.75
Emergency Telephone	111,585.30	34,585.35	65,222.68	80,947.97	-	80,947.97	111,585.30
Special Highway Improvement	2,229,094.12	239,143.58	1,160,048.15	1,307,947.97	124.45	1,308,072.42	2,229,995.12
Capital Improvement #1	1,913,656.71	878,668.75	1,961,087.15	831,277.31	93,875.03	925,152.34	1,960,858.89
Capital Improvement #2	369,795.42	985,371.64	594,203.69	760,963.37	56,955.86	817,919.23	394,737.90
Equipment Reserve	667,576.96	300,290.97	202,154.37	765,713.56	6,042.36	771,755.92	684,344.89
Efficiency Kansas Grant	-	159,858.20	159,529.34	328.86	-	328.86	-
Grant Projects	(5,389.04)	449,740.96	376,321.19	68,030.73	2,020.21	70,050.94	(5,389.04)
Debt Service Fund:							
General Obligation Bond and Interest	650,640.35	3,505,557.43	3,288,003.97	868,193.81	-	868,193.81	650,640.35
Special Obligation Bond and Interest	13,979.38	57,680.00	59,438.97	12,220.41	-	12,220.41	13,979.38
Enterprise Funds:							
Electric Utility	1,334,392.05	22,313,080.36	21,664,700.86	1,982,771.55	1,252,156.27	3,234,927.82	2,833,781.74
Water Utility	96,530.16	1,243,459.84	1,281,237.86	58,752.14	46,831.84	105,583.98	120,366.79
Gas Utility	1,319,902.03	4,136,417.75	4,208,552.60	1,247,767.18	367,013.30	1,614,780.48	1,565,937.23
Refuse Utility	96,655.35	1,005,009.33	945,185.16	156,479.52	35,376.21	191,855.73	117,984.54
Sewer Utility	486,067.39	1,165,489.52	1,414,264.23	237,292.68	29,299.18	266,591.86	521,616.06
Electric, Water & Gas Bond and Interest	391,845.75	694,584.61	703,707.50	382,722.86	-	382,722.86	391,845.75
Electric, Water & Gas Bond Reserve	912,589.73	-	-	912,589.73	-	912,589.73	912,589.73
Intergovernmental Service Funds							
Vehicle Services	2,857.45	504,285.50	507,142.95	-	12,483.17	12,483.17	13,811.33
Utility Services	-	1,038,657.06	1,038,657.06	-	16,941.57	16,941.57	19,376.63
Public Works and Utility Complex	-	126,272.00	124,631.17	1,640.83	7,505.38	9,146.21	8,855.59
Total Primary Government (Excluding Agency Funds)	12,395,364.81	45,826,166.06	47,269,154.05	10,952,376.82	2,123,591.51	13,075,968.33	14,552,029.98
Component Units							
Chanute Public Library	404,012.66	386,734.87	425,364.91	365,382.62	24,049.97	389,432.59	439,710.16
The Housing Authority of the City of Chanute, Kansas	86,260.00	860,002.00	781,608.00	164,654.00	-	164,654.00	331,235.00
Total Reporting Entity (Excluding Agency Funds)	\$ 12,885,637.47	\$ 47,072,902.93	\$ 48,476,126.96	\$ 11,482,413.44	\$ 2,147,641.48	\$ 13,630,054.92	\$ 15,322,975.14

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

Statement 1 (Continued)

CITY OF CHANUTE, KANSAS

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2011

	2011	2010
Total Cash to be accounted for:	\$ 13,630,054.92	\$ 15,322,975.14
Composition of Cash:		
Cash on Hand	\$ 2,065.00	\$ 2,065.00
Checking Accounts:		
City Treasurer	7,741,247.07	3,939,238.26
Payroll Account	6,688.26	7,267.78
ISF Check Account	9,351.94	9,186.30
General Petty Cash	3,500.00	3,500.00
Security Deposit Account	120,030.13	106,147.69
Utility Petty Cash Account.....	500.00	500.00
Investments:		
Certificates of Deposit	6,307,297.00	3,503,297.00
UMB Escrow Accounts	0.73	13,056.03
U.S. Treasury Notes	-	463,097.24
U.S. Treasury Bills	-	4,740,854.80
Federal Home Loan Banks	-	1,669,417.10
Federal Natl. Mortgage Assn.	-	1,174,530.38
Total Primary Government	14,190,680.13	15,632,157.58
Total Component Units	554,086.59	770,945.16
Total Cash	14,744,766.72	16,403,102.74
Agency Funds Per Schedule 3	(1,114,711.80)	(1,080,127.60)
Total Reporting Entity (Excluding Agency Funds)	\$ 13,630,054.92	\$ 15,322,975.14

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

CITY OF CHANUTE, KANSAS

Notes to Financial Statement
For the Year Ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Chanute, Kansas (the City) is incorporated as a city of the second class under the provisions of the Kansas Constitution, Article 12, Section 5 and K.S.A. 14-101 *et seq.* The City operates under a Commission-City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, water, electric, trash and sewer, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The financial statement and schedules of the City of Chanute, Kansas have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principle standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies follow. Note 1 describes how the City's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The City of Chanute is a municipal corporation governed by an elected five-member commission. The accompanying financial statement presents the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Component Units

The component units section of the financial statement and schedules includes the financial data of the discretely presented component units. These component units are reported separately to emphasize that they are legally separate from the City. The governing bodies of these component units are appointed by the City.

1. Chanute Public Library – The City of Chanute Library Board operates the City's public library. Acquisition or disposition of real property or bond issuances must be approved by the City. Separate financial statements are internally prepared and are available at the Chanute Public Library.
2. The Housing Authority – The Housing Authority of the City of Chanute, Kansas operates the City's housing projects. The Housing Authority can sue and be sued, and can buy, sell, or lease real property. Bond ordinances must be approved by the City. Separate audited financial statements are prepared and are available at the Housing Authority of the City of Chanute, Kansas. The Housing Authority is considered a major component unit.

There are no other separate entities related to the City which should be accounted for in the City's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its cash, liabilities, fund equity, revenues and expenditures. The various funds are grouped by type in the financial statements. The types of funds maintained by the City are as follows:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City, other than proprietary fund activities are financed through revenues received by the General Fund.

Special Revenue Funds – These funds are used to account for revenues derived from specific taxes, governmental grants or other revenue sources which are designated to finance particular functions or activities of the City.

Debt Service Fund – The Bond and Interest Fund is used to account for payment of principal and interest on the City’s general obligation and special obligation bonds which are recorded in the general long-term debt group of accounts. Revenues for this purpose include ad valorem property taxes, sales taxes, special assessment taxes and investment interest income.

Capital Project Funds – The Capital Project Funds account for capital improvements (except for those financed by proprietary funds) which are financed from the City’s general obligation bond issues, special assessments, certain federal grants and other specific receipts.

PROPRIETARY FUNDS

Enterprise Funds – Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), federal grants and other City funds.

Internal Service Funds – Internal Service Funds are used to account for the financing of goods and services provided to other departments on a cost reimbursement basis.

FIDUCIARY FUNDS

Expendable Trust Funds – These funds account for funds held in trust for others. The funds are accounted for in essentially the same manner as governmental funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Statutory Basis of Accounting

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

The 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 municipality to use the statutory basis of accounting.

Departures from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown 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 generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statement.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property.

Special Assessments

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City. Special assessments paid prior to the issuance of general obligation bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of general obligation bonds are recorded as revenue in the bond and interest fund. Further, state statutes require levying additional general ad valorem property taxes in the City bond and interest fund to finance delinquent special assessments receivable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Plan

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System or the State of Kansas Police and Fire Retirement System, both of which are multi-employer, state-wide pension plans. The City's policy is to fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State of Kansas.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as revenues. In the financial statement and budget comparison schedules presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the City Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data in each of the statements have not been presented since their inclusion would make the statements unduly complex and difficult to read.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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. Although directory rather than mandatory, 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 1.
2. Publication in local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
3. Public Hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

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. During the year ended December 31, 2011, the City amended the Industrial Fund, Special Liability Expense Fund, Recreation Complex Fund, Special Alcohol Programs Fund, Tourism and Convention Fund, Special Highway Improvement Fund, General Obligation Bond and Interest Fund, and Special Obligation Bond and Interest Fund.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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 schedules 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 the statutory 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.

A legal operating budget is not required for capital projects funds and fiduciary funds.

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

Compliance with Bond Ordinances

The City is required, under ordinances on general obligation utility bond issues and on revenue bond issues, to maintain in its Enterprise Funds certain restricted accounts. The ordinances provide that the following reserve accounts be set up in amounts as described below:

Electric, Water, and Gas Bond Reserves

The City has outstanding general obligation utility bonds and revenue bonds segregated and defined as follows:

General Obligation Utility Bonds:

Series 2006-A
Series 2009-B
Series 2010-A
Series 2010-B

Subordinate Lien Bonds
Subordinate Lien Bonds
Subordinate Lien Bonds
Subordinate Lien Bonds

Revenue Bonds:

Series 2006-B
Series 2007-A

Senior Lien Bonds (Parity Bonds)
Senior Lien Bonds (Parity Bonds)

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Electric, Water, and Gas Bond Reserves (Continued)

The debt service reserve requirements only apply to Parity Bonds, and must be maintained in an amount equal to the least of the following:

- (a) 10% of the stated principal amount of all Parity Bonds at issued date;
- (b) the Maximum Annual Debt Service Requirements for all Parity Bonds, which is the principal and interest due for the then current year or any future fiscal year;
- (c) 125% of the average annual Debt Service Requirements for all Parity Bonds over the term of the Parity Bonds.

The least of (a), (b), or (c) above is (c), calculated as follows:

Average Annual Payment	\$ 657,661.56
	<u>X 125%</u>
Debt Service Bond Reserves Required	<u>\$ 822,076.95</u>
Actual Debt Service Bond Reserves	<u>\$ 912,589.73</u>

<u>Debt Service Reserves</u>	<u>REQUIRED RESERVES</u>	<u>ACTUAL</u>
General Obligation Bonds:		
Electric Light, Water, and Gas Systems \$2,300,000 general obligation bond issue, Series 2006-A, requires transfers monthly of 1/6 of next maturing interest and 1/12 of next maturing principal.	\$ 17,250.00	
Refunding and Improvement \$5,765,000 general obligation bond issue, Series 2009-A, requires transfers monthly of 1/6 of next maturing interest and 1/12 of next maturing principal.	65,251.67	
Electric Light, Water, and Gas Systems \$3,080,000 general obligation bond issue, Series 2009-B, requires transfers monthly of 1/6 of next maturing interest and 1/12 of next maturing principal.	123,571.67	
Build America Bonds \$3,575,000 general obligation bond issue, Series 2009-C, requires transfers monthly of 1/6 of next maturing interest and 1/12 of next maturing principal.	<u>146,675.00</u>	
Total General Obligation Bonds	<u>352,748.34</u>	<u>\$ 868,193.81</u>

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

	<u>REQUIRED RESERVES</u>	<u>ACTUAL</u>
Revenue Bonds:		
Electric Light, Water, and Gas Systems revenue bonds, Series 2006-B require transfers monthly of 1/6 of next maturing interest and 1/12 of next maturing principal.	\$ 81,754.58	
Electric Light, Water, and Gas Systems revenue bonds, Series 2007-A require transfers monthly of 1/6 of next maturing interest and 1/12 of next maturing principal.	<u>20,379.58</u>	
Total Revenue Bonds	<u>102,134.16</u>	\$ <u>382,722.86</u>
Total Electric, Water, and Gas Debt Service Reserves	<u>\$ 454,882.50</u>	<u>\$ 1,250,916.67</u>

The City agrees to fix, establish, maintain and collect such rates, fees or charges for service furnished by or through the Electric System, Gas System, and Water System which will be sufficient to enable the City to produce, in each fiscal year, Net Revenues in an amount that will be not less than 125% of the 2012 Annual Debt Service (as defined in the Indenture) of all electric, gas and water system Senior Lien Bonds (Series 2006-B and 2007-A) of the City at the time outstanding, and 100% of the 2012 Annual Debt Service for all Subordinate Lien Bonds (Series 2006-A, 2009-B, 2010-A, and 2010-B). Net revenues are defined as gross operating revenues of the systems less operation and maintenance expenses, excluding items such as capital purchases, principal and interest payments, transfers, and administrative expenses not related to the operation of the system. Compliance is calculated as follows:

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Gas Utility</u>	<u>Total</u>
Receipts Over (Under)				
Expenditures	\$ 648,379.50	\$ (37,778.02)	\$ (72,134.85)	\$ 538,466.63
Subtract:				
Transfers In	-	(75,000.00)	-	(75,000.00)
Add:				
Administrative Expenses:				
Administration and General	988,284.97	127,387.31	177,291.13	1,292,963.41
Debt Service	-	172,972.32	-	172,972.32
Transfers Out	3,945,294.63	58,591.11	533,005.45	4,536,891.19
Capital Outlays	<u>10,204.96</u>	<u>1,019.99</u>	<u>-</u>	<u>11,224.95</u>
Net Revenues as defined in the Indenture	<u>\$ 5,592,164.06</u>	<u>\$ 247,192.71</u>	<u>\$ 638,161.73</u>	<u>\$ 6,477,518.50</u>
Required Net Revenue as Defined in the Indenture				<u>\$ 4,170,431.25</u>

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1, the City was in apparent compliance with the cash basis laws of Kansas. As shown in Schedule 1, the City was in apparent violation of K.S.A. 79-2934, as the City has obligated expenditures in excess of budgetary limits in the General Obligation Bond and Interest Fund.

3. DEPOSITS AND INVESTMENTS

As of year end, the City has the following investments.

<u>Investment Type</u>	<u>Cost</u>	<u>Rating</u>
UMB Trust – Fidelity Treasury	0.73	N/A

This investment is reflected at cost in these statutory basis financial statements of the City of Chanute, Kansas.

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 branch or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the bank 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 other policies 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.

Concentration of credit risk. State statutes place no limit on the amount the Government 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. All deposits were legally secured at December 31, 2011.

Deposits: At year-end, the City's carrying amount of deposits was \$14,188,614.40 and the bank balance was \$14,427,028.17. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, \$1,127,061.88 was covered by FDIC insurance, \$13,299,966.29 was collateralized with pledged securities held by the pledging financial institutions' agents in the City's name.

4. LONG-TERM LIABILITIES

Changes in long-term liabilities for the City for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Original Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
Paid by Tax Levies:										
Series 2005-A	3.30-5.00%	November 1, 2005	3,700,000.00	November 1, 2025	\$ 3,000,000.00	\$ -	(150,000.00)	\$ (150,000.00)	\$ 2,850,000.00	\$ 113,892.50
Series 2009A	1.15-5.00%	March 23, 2009	5,765,000.00	November 1, 2029	5,215,000.00	-	(380,000.00)	(380,000.00)	4,835,000.00	197,970.00
Paid by Sales Tax Collections:										
Series 2009C	1.50-4.875%	July 27, 2009	3,575,000.00	September 1, 2019	3,280,000.00	-	(310,000.00)	(310,000.00)	2,970,000.00	126,612.50
Paid by Utility Revenues:										
Series 2006A	4.50%	March 28, 2006	2,300,000.00	November 1, 2022	2,300,000.00	-	-	-	2,300,000.00	103,500.00
Series 2009B	1.15-2.30%	March 23, 2009	3,080,000.00	November 1, 2013	1,770,000.00	-	(670,000.00)	(670,000.00)	1,100,000.00	34,605.00
Series 2010A	2.4-2.8%	September 20, 2010	5,335,000.00	November 1, 2020	5,335,000.00	-	-	-	5,335,000.00	153,630.25
Series 2010B	1.0-3.7%	September 20, 2010	13,635,000.00	November 1, 2018	13,635,000.00	-	(700,000.00)	(700,000.00)	12,935,000.00	347,253.72
Special Obligation Bonds										
Paid by Tax Levies:										
Tax Incentive Fund Series 2006	4.80%	September 27, 2006	703,000.00	September 1, 2026	640,000.00	-	(28,000.00)	(28,000.00)	612,000.00	31,438.97
Revenue Bonds										
Series 2006B	3.9-5.0%	March 28, 2006	6,195,000.00	November 1, 2022	6,195,000.00	-	(130,000.00)	(130,000.00)	6,065,000.00	290,597.50
Series 2006C	5.4-5.65%	March 28, 2006	740,000.00	November 1, 2011	155,000.00	-	(155,000.00)	(155,000.00)	-	8,757.50
Series 2007A	4.05-5.0%	September 27, 2007	1,620,000.00	November 1, 2027	1,470,000.00	-	(50,000.00)	(50,000.00)	1,420,000.00	69,352.50
Revolving Loans										
Kansas Water Pollution Control	3.34%	December 14, 2000	1,500,000.00	March 1, 2022	563,401.33	-	(40,925.37)	(40,925.37)	522,475.96	18,478.71
Kansas Public Water Supply 2022	4.11%	April 18, 2001	1,750,000.00	February 1, 2023	1,244,004.40	-	(77,925.17)	(77,925.17)	1,166,079.23	50,336.05
Kansas Public Water Supply 2364	3.62%	April 5, 2004	632,556.99	February 1, 2025	526,836.15	-	(25,871.67)	(25,871.67)	500,964.48	18,839.43
Fireman's Relief										
Thermal Camera	4.00%	February 25, 2011	4,308.00	November 25, 2014	-	4,308.00	(1,013.89)	(1,013.89)	3,294.11	162.28
Fire Truck	4.00%	May 31, 2007	18,500.00	May 31, 2013	8,245.52	-	(3,200.57)	(3,200.57)	5,044.95	298.13
Ambulance	4.00%	July 20, 2009	6,000.00	June 9, 2015	4,630.90	-	(958.98)	(958.98)	3,671.92	175.74
Total Contractual Indebtedness					45,342,118.30	4,308.00	(2,722,895.65)	(2,722,895.65)	42,623,530.65	1,565,900.78
Compensated Absences										
Vacation Benefits	N/A	N/A	N/A	N/A	210,435.58			\$ 2,157.58	212,593.16	N/A
Landfill Closure and Post Closure Care	N/A	N/A	N/A	N/A	862,155.65			17,046.24	879,201.89	N/A
Total Long-Term Liabilities					\$ 46,414,709.53	\$ 4,308.00	\$ (2,722,895.65)	\$ 19,203.82	\$ 43,715,325.70	\$ 1,565,900.78

4. LONG-TERM LIABILITIES (Continued)

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

Issue	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2029	Total
Principal									
General Obligation Bonds									
Paid by Tax Levies:									
Series 2005-A	\$ 155,000.00	\$ 165,000.00	\$ 170,000.00	\$ 175,000.00	\$ 180,000.00	\$ 1,025,000.00	\$ 980,000.00	\$ -	\$ 2,850,000.00
Series 2009A	200,000.00	205,000.00	210,000.00	215,000.00	220,000.00	1,225,000.00	1,490,000.00	1,070,000.00	4,835,000.00
Paid by Sales Tax Collections:									
Series 2009C	320,000.00	330,000.00	345,000.00	360,000.00	375,000.00	1,240,000.00	-	-	2,970,000.00
Paid by Utility Revenues:									
Series 2006A	-	-	-	-	-	-	2,300,000.00	-	2,300,000.00
Series 2009B	695,000.00	405,000.00	-	-	-	-	-	-	1,100,000.00
Series 2010A	-	-	-	-	-	5,335,000.00	-	-	5,335,000.00
Series 2010B	1,450,000.00	1,975,000.00	2,175,000.00	2,225,000.00	2,275,000.00	2,835,000.00	-	-	12,935,000.00
Special Obligation Bonds									
Paid by Tax Levies:									
Tax Incentive Fund Series 2006	28,000.00	30,000.00	32,000.00	32,000.00	36,000.00	200,000.00	254,000.00	-	612,000.00
Revenue Bonds									
Series 2006B	205,000.00	-	265,000.00	280,000.00	285,000.00	3,505,000.00	1,525,000.00	-	6,065,000.00
Series 2007A	55,000.00	55,000.00	60,000.00	65,000.00	65,000.00	375,000.00	475,000.00	270,000.00	1,420,000.00
Revolving Loans									
Kansas Water Pollution Control	42,303.69	43,728.43	45,201.16	46,723.49	48,297.08	267,007.95	29,214.16	-	522,475.96
Kansas Public Water Supply 2022	81,160.81	84,530.80	88,040.70	91,696.36	95,503.80	540,399.53	184,747.23	-	1,166,079.23
Kansas Public Water Supply 2364	26,816.70	27,796.26	28,811.58	29,864.00	30,954.87	172,583.92	184,137.15	-	500,964.48
Fireman's Relief									
Thermal Camera	1,054.84	1,097.45	1,141.82	-	-	-	-	-	3,294.11
Fire Truck	3,329.87	1,715.08	-	-	-	-	-	-	5,044.95
Ambulance	997.72	1,038.03	1,079.97	556.20	-	-	-	-	3,671.92
Total Principal Payments	3,263,663.63	3,324,906.05	3,421,275.23	3,520,840.05	3,610,755.75	16,719,991.40	7,422,098.54	1,340,000.00	42,623,530.65

4. LONG-TERM LIABILITIES (Continued)

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

Issue	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2029	Total
Interest									
General Obligation Bonds									
Paid by Tax Levies:									
Series 2005-A	\$ 108,942.50	\$ 103,672.50	\$ 97,897.50	\$ 91,862.50	\$ 85,562.50	\$ 320,442.50	\$ 101,415.00	\$ -	\$ 909,795.00
Series 2009A	191,510.00	187,510.00	182,795.00	177,335.00	171,100.00	737,000.00	468,762.50	107,190.00	2,223,202.50
Paid by Sales Tax Revenues:									
Series 2009C	120,025.00	111,625.00	101,725.00	88,787.50	74,387.50	120,087.50	-	-	616,637.50
Paid by Utility Revenues:									
Series 2006A	103,500.00	103,500.00	103,500.00	103,500.00	103,500.00	517,500.00	103,500.00	-	1,138,500.00
Series 2009B	23,215.00	9,315.00	-	-	-	-	-	-	32,530.00
Series 2010A	140,730.00	140,730.00	140,730.00	140,730.00	140,730.00	454,970.00	-	-	1,158,620.00
Series 2010B	311,095.00	293,695.00	260,120.00	213,357.50	158,845.00	127,890.00	-	-	1,365,002.50
Special Obligation Bonds									
Paid by Tax Levies:									
Tax Incentive Fund Series 2006	29,040.00	27,696.00	26,208.00	24,672.00	23,088.00	88,368.00	34,704.00	-	253,776.00
Revenue Bonds									
Series 2006B	285,527.50	277,327.50	277,327.50	266,462.50	254,702.50	895,510.00	76,250.00	-	2,333,107.50
Series 2007A	67,277.50	64,940.00	62,602.50	59,992.50	57,165.00	238,280.00	140,720.00	13,500.00	704,477.50
Revolving Loans									
Kansas Water Pollution Control	17,100.39	15,675.65	14,202.92	12,680.59	11,107.00	30,012.45	487.88	-	101,266.88
Kansas Public Water Supply 2022	47,100.41	43,730.42	40,220.52	36,564.86	32,757.42	100,906.57	7,644.60	-	308,924.80
Kansas Public Water Supply 2364	17,894.40	16,914.84	15,899.52	14,847.10	13,756.23	50,971.58	17,062.80	-	147,346.47
Fireman's Relief									
Thermal Camera	121.32	78.71	34.38	-	-	-	-	-	234.41
Fire Truck	168.83	34.30	-	-	-	-	-	-	203.13
Ambulance	137.00	96.69	54.75	11.12	-	-	-	-	299.56
Total Interest Payments	1,463,384.85	1,396,541.61	1,323,317.59	1,230,803.17	1,126,701.15	3,681,938.60	950,546.78	120,690.00	11,293,923.75
Total Principal and Interest	\$ 4,727,048.48	\$ 4,721,447.66	\$ 4,744,592.82	\$ 4,751,643.22	\$ 4,737,456.90	\$ 20,401,930.00	\$ 8,372,645.32	\$ 1,460,690.00	\$ 53,917,454.40

5. INDUSTRIAL REVENUE BONDS

The City has entered into various agreements to induce businesses to locate or expand operations in Chanute, Kansas. In connection therewith, the City has issued industrial revenue bonds (IRB's) which require the businesses to make lease payments to trust accounts sufficient to pay debt service on the IRB's. The City is under no obligation to pay the IRB debt, which is to be paid from the lease payments made by the related businesses. At December 31, 2011, there were nine industrial revenue bond issues with principal balances due totaling \$38,301,723.44.

6. OPERATING LEASES

As of December 31, 2011 the City has entered into two operating leases for copiers. Rent expense for the year ended December 31, 2011, was \$3,255.96. Under the current lease agreements, the future minimum rental payments are as follows:

2012	\$	1,518.96
2013		939.96

As of December 31, 2011 the City has entered an operating lease for a five acre tract of land for monitoring wells, renewable annually. Rent expense for the year ended December 31, 2011, was \$3,500.00.

7. DEFINED BENEFIT PENSION PLAN

Plan Description - The City contributes to the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A 74-4901, et seq. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Ave., Suite 100, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate of 4% or 6% of covered salary. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% 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 rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for 2011 was 7.74%. The City's contributions to KPERS for the years ending December 31, 2011, 2010, and 2009, were \$425,970.85, \$386,304.68, and \$367,612.70, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2011 is 14.57%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's contributions to KP&F for years ending December 31, 2011, 2010, and 2009, were \$243,499.29, \$224,667.52, and \$237,145.95, respectively, equal to the statutory required contributions for each year.

8. UTILITY ACCOUNTS RECEIVABLE

The City records electric, water, sewer, gas, and trash revenue as the customers are billed each month. The City maintains accounts receivable for each of the utility services. Listed below are amounts of the accounts receivable for the five utilities as of December 31, 2011:

Electric Utility	\$ 405,506.40
Water Utility	78,762.74
Sewer Utility	66,439.40
Gas Utility	350,628.65
Refuse Utility	<u>44,566.23</u>
TOTAL UTILITY ACCOUNTS RECEIVABLE	<u>\$ 945,903.42</u>

The City adjusts the utility revenue to the cash basis for presentation in these statutory basis financial statements.

Total utility users as of December 31, 2011, were as follows:

Electric	5,681
Water	4,395
Sewer	4,131
Gas	4,301
Refuse	4,015

9. NOTES RECEIVABLE AND LOANS RECEIVABLE

The City has established an Economic Development Revolving Loan Fund. The Fund is the recipient of money paid back to the City by Chanute industries which received Community Development Block Grants in earlier years. As repayment is made by these industries, the City makes loans to other qualifying industries. The loans due to the City at December 31, 2011, through the Economic Development Revolving Loan Fund are as follows:

Creative Molding	\$ 51,112.47
Magna Tech	174,578.70
R.A.W. Sound, Inc.	50,000.00
Tioga Suite	127,412.98
Tioga Suite #2	85,073.71
McKinney Motors	22,325.37
Inertia Health	87,371.94
Hi-Lo Tables	190,684.19
Get Lit #1	17,241.28
Get Lit #2	15,000.00
Get Lit #3	24,319.00
T & R Display	223,840.72
Consignment	13,335.74
LaRue #1	96,917.41
LaRue #2	<u>24,828.23</u>
TOTAL NOTES RECEIVABLE	<u>\$ 1,204,041.74</u>

9. NOTES RECEIVABLE AND LOANS RECEIVABLE (Continued)

The City has made Industrial Development Loans through the Industrial Fund. The Fund was the recipient of various HUD Grants in earlier years. Loans made with these monies are repaid and the City makes additional development loans from these repayments. The Community Development loans due to the City at December 31, 2011, are as follows:

Sierra Midwest	<u>\$ 89,255.71</u>
TOTAL LOANS	<u>\$ 89,255.71</u>

The City has made Community Development Loans through the Community Development Fund. The Fund was the recipient of various HUD Grants in earlier years. Loans made with these monies are repaid and the City makes additional development loans from these repayments. The Community Development loans due to the City at December 31, 2011, are as follows:

Hi Lo Tables	<u>\$ 310,431.71</u>
TOTAL LOANS	<u>\$ 310,431.71</u>

These notes receivable and loans are not reflected in these statutory basis financial statements of the City of Chanute, Kansas.

10. ECONOMIC DEPENDENCY

During 2011, the City collected 46.11% of its electric utility revenues and provided 53.33% of its kilowatt hours produced to Ash Grove Cement Company.

11. OTHER POST EMPLOYMENT BENEFITS

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

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

12. RISK MANAGEMENT (Continued)

The City has been unable to obtain workers' compensation insurance at a cost it considers to be economically justifiable. For this reason, the City has joined together with other cities in the State to participate in the Kansas Eastern Region Insurance Trust (KERIT). The City participates in the decision making of KERIT through trustee representation. KERIT files its annual audited financial statements with the Kansas Insurance Commissioner. The City pays annual premium to KERIT for its workers' compensation insurance coverage. The agreement to participate provides that KERIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of a stated dollar amount for each insurance event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KERIT management.

The City has established a Special Liability Fund. The purpose of this fund is to provide the cost for an investigation of, a defense to and the payment of any claim which the City is legally obligated to pay pursuant to the Kansas Tort Claims Act, to the extent that any such claim may be uninsured by the City. The Special Liability Fund is funded by charges to other funds.

The City has established a Health Insurance Fund. The purpose of this fund is to provide for an employee welfare benefit plan for health insurance. Contributions from eligible employees and the City are deposited in the name of the plan, subject to withdrawal for purposes of paying approved claims and expenses. The City has contracted with Blue Cross Blue Shield of Kansas to be the claims supervisor. The supervisor reviews all claims for allowability and issues monthly reports to the City. The City has a stop-gap policy which pays any aggregate claims over \$60,000.00.

13. MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE CARE

The City operates a municipal solid waste landfill which is regulated by state and federal agencies, including the State of Kansas Department of Health and Environment and the United States Environmental Protection Agency. The City's permitted landfill area is presently 80 acres with 10 acres currently open. Regulations require the City to properly close each cell upon reaching maximum capacity and to monitor the landfill for 30 years after closure.

The following estimates have been developed by management of the landfill as of May 2012, which is considered to be substantially the same at December 31, 2011:

Total Volume Capacity of Original Site	2,753,000 cu. yds.
Total Remaining Volume Capacity of Site	1,744,904 cu. yds.
Percentage of cell capacity used to date	36.62%
Remaining Life of Landfill	89.7 Years
Projected estimate of closure and post closure costs	
Landfill Closure	\$ 818,879.00
Landfill Post-closure care	1,582,000.00
	<u>\$ 2,400,879.00</u>
Current estimate of closure and post closure costs at December 31, 2011 (\$2,400,879 x 36.62%)	\$ 879,201.89

13. MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE CARE

(Continued)

The cost of closure and post-closure care will be paid when due from funds accumulated for the purpose in restricted cash accounts, from allocation of ad valorem tax collections, from the proceeds of debt, or a combination of these. The City has accrued a liability for these estimated costs of landfill closure and post-closure in Footnote 4.

14. COMPENSATED ABSENCES

All full-time employees of the City with one year of employment are eligible for vacation benefits in varying annual amounts. Vacation must be used by each anniversary date. In the event of termination, unused accrued vacation time is paid. Accrued vacation pay at December 31, 2011 is \$212,593.16.

Sick leave accrues to all full-time employees at the rate of one day per month and is unlimited. Employees who terminate by other than retirement or death will not be paid for accumulated sick leave. An employee shall be paid for accumulated sick leave up to 120 days upon termination by death or retirement.

The City accrues a liability for compensated absences which meet the following criteria:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributed to employee's services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the City has disclosed the liability for vacation benefits in Footnote 4, and not accrued a liability for sick pay which has been earned, but not taken by City employees, inasmuch as the amount cannot be reasonably estimated.

15. COMMITMENTS AND CONTINGENCIES

The City has entered into multi year agreements with the various unions representing policemen, firemen, and electrical and public works employees, and other utility workers.

The City has entered into a ten year agreement with Municipal Energy Resource Corporation for the purchase of natural gas effective until December 31, 2017.

The City has entered into a five year agreement with the Kansas Power Pool for electric facilitation and transmission effective until December 31, 2015.

The City has entered into a eight year agreement with Southern Star Central Gas Pipeline, Inc. for natural gas storage effective until October 1, 2013.

The City has entered into a fifteen year agreement with Kansas Municipal Energy Agency for peek power purchasing and selling of electricity effective until December 31, 2018.

The City has entered into a ten year agreement with Cunningham Sandblasting & Painting Co., Inc. for the maintenance of the water tower located in the industrial park effective until August 21, 2021.

16. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
Electric Utility	General	K.S.A. 12-825d	\$ 1,115,935.31
Water Utility	General	K.S.A. 12-825d	58,591.11
Sewer Utility	General	K.S.A. 12-825d	57,181.58
Refuse Utility	General	K.S.A. 12-825d	49,729.56
Gas Utility	General	K.S.A. 12-825d	209,005.45
General	Capital Improvement #2	K.S.A. 12-1,118	93,050.09
General	Equipment Reserve	K.S.A. 12-1,118	66,000.00
General	Special Obligation		
	Bond and Interest	K.S.A. 12-197	45,880.00
General	General Obligation		
	Bond and Interest	K.S.A. 12-1,118	449,632.97
Special Highway	General Obligation		
Improvement	Bond and Interest	K.S.A. 12-197	860,557.39
Special Highway			
Improvement	Capital Improvement #1	K.S.A. 12-1,118	17,137.70
Electric Utility	Capital Improvement #1	K.S.A. 12-1,118	363,000.00
Electric Utility	Capital Improvement #2	K.S.A. 12-1,118	500,000.00
Electric Utility	Water Utility	K.S.A. 12-825d	75,000.00
Gas Utility	Equipment Reserve	K.S.A. 12-1,117	6,000.00
Gas Utility	Capital Improvement #1	K.S.A. 12-825d	118,000.00
Gas Utility	Capital Improvement #2	K.S.A. 12-825d	200,000.00
Sewer Utility	Capital Improvement #1	K.S.A. 12-825d	380,531.05
Sewer Utility	Equipment Reserve	K.S.A. 12-1,117	3,000.00
Refuse Utility	Equipment Reserve	K.S.A. 12-1,117	50,000.00
Utility Services	Equipment Reserve	K.S.A. 12-1,117	10,500.00
Electric Utility	General Obligation		
	Bond and Interest	K.S.A 12-825d	1,408,947.76
Refuse Utility	General Obligation		
	Bond and Interest	K.S.A 12-825d	170,252.54
Refuse Utility	Industrial	K.S.A. 12-825d	6,955.80
Electric Utility	Electric, Water, and Gas		
	Bond and Interest	K.S.A 12-825d	477,511.56
Capital Improvement #1	Electric, Water, and Gas		
	Bond and Interest	K.S.A. 12-1,118	203,470.29
Electric Utility	Efficiency Kansas Grant	K.S.A. 12-825d	4,900.00

17. SIGNIFICANT DISCLOSURES FOR THE CHANUTE PUBLIC LIBRARY – A COMPONENT UNIT

Deposits and Investments

As of year end, the Library has the following investments.

<u>Investment Type</u>	<u>Cost</u>	<u>Rating</u>
U.S. Treasury Bills	\$ 4,960.54	N/A

These investments are reflected at cost in these statutory basis financial statements of the Chanute Public Library.

17. SIGNIFICANT DISCLOSURES FOR THE CHANUTE PUBLIC LIBRARY – A COMPONENT UNIT (Continued)

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

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

Concentration of credit risk. State Statutes place no limit on the amount the Government 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 Library's deposits may not be returned to it. State statutes require the Library'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 Library, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2011.

Deposits and Investments

At year-end, the Library's carrying amount of deposits was \$384,202.88 and the bank balance was \$393,841.71. The bank balance was held by five banks resulting in a concentration of credit risk. Of the bank balance, \$393,841.71 was covered by FDIC insurance.

Defined Benefit Pension Plan

The Library contributes to the KPERs retirement system as described in Footnote 7. The Library's contributions for the years ended December 31, 2011, 2010, and 2009, were \$12,391.30, \$11,352.92, and \$8,582.67, respectively, equal to the required contributions for each year.

18. SIGNIFICANT DISCLOSURES FOR THE HOUSING AUTHORITY OF THE CITY OF CHANUTE – A COMPONENT UNIT

Deposits and Investments

K.S.A 9-1401 establishes the depositories which may be used by the Authority. The statute requires banks eligible to hold the Government's funds have a main branch or branch bank in the county in which the Government is located and the bank 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.

18. SIGNIFICANT DISCLOSURES FOR THE HOUSING AUTHORITY OF THE CITY OF CHANUTE – A COMPONENT UNIT (Continued)

Concentration of credit risk. State statutes place no limit on the amount the Government 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 Authority's deposits may not be returned to it. State statutes require the Government'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. All deposits were legally secured at December 31, 2011.

At year-end, the Authority's carrying amount of deposits was \$273,891.00 and the bank balance was \$274,125.00. The bank balance was held by three resulting in a concentration of credit risk. Of the bank balance, \$274,125.00 was covered by federal depository insurance (FDIC).

Defined Benefit Pension Plan

The Authority contributes to the KPERs retirement system as described in Footnote 7. The Authority's contributions for the years ended December 31, 2011, 2010, and 2009, were \$16,264.00, \$13,882.00, and \$13,079.00, respectively, equal to the required contributions for each year.

19. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTAL INFORMATION

Schedule 1

CITY OF CHANUTE, KANSAS

Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)

For the Year Ended December 31, 2011

Funds	Certified Budget	Adjustments for		Total Budget for Comparison	Expenditures		Variance - Over (Under)
		Qualifying Budget Credits	Budget Credits		Charged to Current Year Budget	Over (Under)	
General Fund	\$ 6,093,610.00	\$ 85,362.04	\$ 6,178,972.04	\$ 6,143,004.11	\$	(35,967.93)	
Special Revenue Funds:							
Industrial	100,449.00	-	100,449.00	86,632.55		(13,816.45)	
Library	295,000.00	-	295,000.00	292,235.51		(2,764.49)	
Library Employee Benefit	45,000.00	-	45,000.00	43,840.57		(1,159.43)	
City Employee Benefit	767,597.00	12,835.82	780,432.82	688,978.60		(91,454.22)	
Special Liability Expense	80,000.00	-	80,000.00	28,441.03		(51,558.97)	
Recreation Complex	100,000.00	-	100,000.00	83,761.97		(16,238.03)	
Special Parks & Recreation	67,000.00	-	67,000.00	38,238.51		(28,761.49)	
Special Alcohol Programs	32,000.00	-	32,000.00	29,229.72		(2,770.28)	
Tourism and Convention	85,500.00	-	85,500.00	80,500.00		(5,000.00)	
Emergency Telephone	66,000.00	-	66,000.00	65,222.68		(777.32)	
Special Highway Improvement	1,248,934.00	-	1,248,934.00	1,160,289.73		(88,644.27)	
Debt Service Fund:							
General Obligation Bond and Interest	3,287,464.00	-	3,287,464.00	3,288,003.97		539.97	
Special Obligation Bond and Interest	59,484.00	-	59,484.00	59,438.97		(45.03)	
Enterprise Funds:							
Electric Utility	21,873,624.00	-	21,873,624.00	21,664,700.86		(208,923.14)	
Water Utility	1,303,975.00	-	1,303,975.00	1,281,237.86		(22,737.14)	
Gas Utility	4,551,392.00	615.09	4,552,007.09	4,208,552.60		(343,454.49)	
Refuse Utility	1,112,530.00	-	1,112,530.00	945,185.16		(167,344.84)	
Sewer Utility	1,421,835.00	-	1,421,835.00	1,414,264.23		(7,570.77)	
Electric, Water & Gas Bond and Interest	2,459,310.00	-	2,459,310.00	703,707.50		(1,755,602.50)	

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS

GENERAL FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 511,497.82	\$ 463,097.08	\$ 492,585.00	\$ (29,487.92)
Delinquent Tax	24,696.54	19,289.55	29,000.00	(9,710.45)
Motor Vehicle Tax	116,355.84	92,055.97	89,534.00	2,521.97
Rental Motor Vehicle Tax	143.39	102.67	-	102.67
Recreational Vehicle Tax	1,324.76	1,043.44	1,007.00	36.44
16M-20M Truck Tax	1,256.86	859.80	1,245.00	(385.20)
Payments in Lieu of Taxes	1,409.84	1,419.53	3,500.00	(2,080.47)
Sales Tax	2,048,295.22	2,651,703.30	2,542,000.00	109,703.30
Franchise Taxes	364,320.06	330,479.64	347,000.00	(16,520.36)
Special Assessments	5,813.73	10,014.06	6,000.00	4,014.06
Intergovernmental				
Highway Connecting Links	16,710.01	16,710.01	16,000.00	710.01
Local Alcoholic Liquor Tax	25,927.30	22,155.13	26,388.00	(4,232.87)
Federal Grants - Click Step	2,612.23	-	-	-
Federal Grants - ESG	52,851.43	-	-	-
Federal Grants - FEMA	9,120.30	-	-	-
Federal Grants - Parks	5,012.13	-	-	-
State Grants - FEMA	1,216.04	-	50,000.00	(50,000.00)
State Grants - Fire	-	184.00	-	184.00
Licenses and Permits				
Business Licenses, Permits & Fees	11,925.00	12,718.00	11,300.00	1,418.00
Non-Business Licenses, Permits & Fees	29,456.42	26,126.60	27,700.00	(1,573.40)
Charges for Services				
General Government Services	11,164.70	8,592.50	196,850.00	(188,257.50)
Public Safety Services	71,206.00	67,216.00	-	67,216.00
Public Works Services	1,107.40	399.52	-	399.52
Health Services	17,132.50	16,758.77	-	16,758.77
Swimming Pool Fees	77,904.00	97,865.55	-	97,865.55
Culture and Recreation Services	19,133.36	22,006.00	-	22,006.00
Fines, Forfeitures and Penalties				
Fines	220,326.76	161,715.59	200,000.00	(38,284.41)
Use of Money and Property				
Rents & Royalties	35,532.47	49,973.97	27,000.00	22,973.97
Sale of Equipment and Property	154,798.24	151,053.29	118,000.00	33,053.29

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
GENERAL FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts (Continued)				
Other Revenues				
Donations	\$ 800.00	\$ 2,491.32	\$ -	\$ 2,491.32
Miscellaneous	24,527.45	11,196.19	65,800.00	(54,603.81)
Reimbursed Expense	123,435.63	85,362.04	-	85,362.04
Operating Transfers from:				
Electric Utility Fund	1,447,867.01	1,115,935.31	1,097,500.00	18,435.31
Water Utility Fund	56,292.70	58,591.11	52,914.00	5,677.11
Sewer Utility Fund	58,768.30	57,181.58	51,259.00	5,922.58
Refuse Utility Fund	49,865.06	49,729.56	47,555.00	2,174.56
Gas Utility Fund	205,813.32	209,005.45	235,657.00	(26,651.55)
Special Liability Expense Fund	39,313.53	-	-	-
Total Cash Receipts	5,844,933.35	5,813,032.53	\$ 5,735,794.00	\$ 77,238.53
Expenditures and Transfers				
Subject to Budget				
City Commission	104,134.65	53,880.68	\$ 66,156.00	\$ (12,275.32)
Municipal Court	119,869.63	118,825.77	90,049.00	28,776.77
City Manager's Office	254,610.98	272,138.42	256,276.00	15,862.42
General Administrative Services	232,111.76	211,567.11	210,816.00	751.11
Engineering & Inspection	363,807.97	360,392.56	418,304.00	(57,911.44)
Legal Services	93,355.37	95,982.69	96,205.00	(222.31)
Information Services	280.78	120.93	-	120.93
Public Buildings & Grounds	247,286.93	258,971.82	330,350.00	(71,378.18)
Special Projects	679.00	6,101.96	-	6,101.96
Police Department	1,437,414.24	1,352,366.07	1,323,167.00	29,199.07
Fire Department	883,882.40	914,759.76	871,681.00	43,078.76
Animal Control	60,572.08	57,798.11	61,452.00	(3,653.89)
Civil Defense	1,998.51	1,183.61	-	1,183.61
Streets and Roads	902,481.72	892,509.49	814,485.00	78,024.49
Cemetery	102,996.48	117,733.14	132,419.00	(14,685.86)
Airport	201,026.77	247,597.89	232,258.00	15,339.89
Parks	274,613.83	299,455.83	316,331.00	(16,875.17)
Swimming Pool	156,093.20	189,712.88	143,500.00	46,212.88
Tree Program	86.84	402.50	-	402.50
Auditorium Management Services	27,333.00	36,570.32	32,161.00	4,409.32

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
GENERAL FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures and Transfers Subject to Budget (Continued)				
Economic Development	\$ 88,963.88	\$ 369.51	\$ 150,000.00	\$ (149,630.49)
Operating Transfers to:				
Industrial Fund	39,313.53	-	-	-
Capital Improvement #2 Fund	49,335.00	93,050.09	75,000.00	18,050.09
Equipment Reserve Fund	-	66,000.00	66,000.00	-
General Obligation				
Bond and Interest Fund	-	449,632.97	407,000.00	42,632.97
Special Obligation Bond and Interest Fund	45,880.00	45,880.00	-	45,880.00
Total Certified Budget			6,093,610.00	49,394.11
Adjustments for Qualifying Budget Credits			85,362.04	(85,362.04)
Total Expenditures and Transfers Subject to Budget	<u>5,688,128.55</u>	<u>6,143,004.11</u>	<u>\$ 6,178,972.04</u>	<u>\$ (35,967.93)</u>
Receipts Over(Under) Expenditures	156,804.80	(329,971.58)		
Unencumbered Cash, Beginning	<u>235,796.31</u>	<u>392,601.11</u>		
Unencumbered Cash, Ending	<u>\$ 392,601.11</u>	<u>\$ 62,629.53</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
INDUSTRIAL FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Delinquent Tax	\$ 62.08	\$ 33.37	\$ -	\$ 33.37
Use of Money and Property				
Interest Income	76,401.26	-	-	-
Revolving Loan Principal	34,866.65	41,554.54	-	41,554.54
Revolving Loan Interest	2,995.99	2,611.64	-	2,611.64
Operating Transfers from:				
General Fund	39,313.53	-	-	-
Refuse Utility Fund	-	6,955.80	-	6,955.80
City Revolving Loan Fund	70,000.00	-	-	-
Total Cash Receipts	<u>223,639.51</u>	<u>51,155.35</u>	<u>\$ -</u>	<u>\$ 51,155.35</u>
Expenditures and Transfers				
Subject to Budget				
General Government				
Contractual Services	172,560.83	76,892.06	\$ 90,449.00	\$ (13,556.94)
Commodities	4,181.92	6,390.44	10,000.00	(3,609.56)
Capital Outlay	32,808.26	3,350.05	-	3,350.05
Total Expenditures and Transfers Subject to Budget	<u>209,551.01</u>	<u>86,632.55</u>	<u>\$ 100,449.00</u>	<u>\$ (13,816.45)</u>
Receipts Over(Under) Expenditures	14,088.50	(35,477.20)		
Unencumbered Cash, Beginning	<u>95,302.47</u>	<u>109,390.97</u>		
Unencumbered Cash, Ending	<u>\$ 109,390.97</u>	<u>\$ 73,913.77</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
LIBRARY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 239,993.02	\$ 236,208.88	\$ 251,257.00	\$ (15,048.12)
Delinquent Tax	7,804.15	7,183.91	5,500.00	1,683.91
Motor Vehicle Tax	40,059.51	40,427.38	42,008.00	(1,580.62)
Rental Motor Vehicle Tax	51.28	48.18	-	48.18
Recreational Vehicle Tax	458.33	456.78	472.00	(15.22)
16M-20M Truck Tax	382.32	307.48	584.00	(276.52)
Payments in Lieu of Taxes	661.48	724.05	-	724.05
Total Cash Receipts	<u>289,410.09</u>	<u>285,356.66</u>	<u>\$ 299,821.00</u>	<u>\$ (14,464.34)</u>
Expenditures and Transfers				
Subject to Budget				
Culture and Recreation				
Library Appropriations	<u>289,410.09</u>	<u>292,235.51</u>	<u>\$ 295,000.00</u>	<u>\$ (2,764.49)</u>
Total Expenditures and Transfers				
Subject to Budget	<u>289,410.09</u>	<u>292,235.51</u>	<u>\$ 295,000.00</u>	<u>\$ (2,764.49)</u>
Receipts Over(Under) Expenditures	-	(6,878.85)		
Unencumbered Cash, Beginning	<u>6,878.85</u>	<u>6,878.85</u>		
Unencumbered Cash, Ending	<u>\$ 6,878.85</u>	<u>\$ -</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
LIBRARY EMPLOYEE BENEFITS FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 34,108.17	\$ 36,490.59	\$ 38,813.00	\$ (2,322.41)
Delinquent Tax	1,186.88	1,058.37	750.00	308.37
Motor Vehicle Tax	6,026.88	5,818.90	5,973.00	(154.10)
Rental Motor Vehicle Tax	7.71	6.85	-	6.85
Recreational Vehicle Tax	68.95	65.79	67.00	(1.21)
16M-20M Truck Tax	57.60	46.25	83.00	(36.75)
Payments in Lieu of Taxes	94.01	111.85	-	111.85
Total Cash Receipts	<u>41,550.20</u>	<u>43,598.60</u>	<u>\$ 45,686.00</u>	<u>\$ (2,087.40)</u>
Expenditures and Transfers				
Subject to Budget				
Culture and Recreation				
Library Appropriations	45,000.00	43,840.57	\$ 45,000.00	\$ (1,159.43)
Total Expenditures and Transfers				
Subject to Budget	<u>45,000.00</u>	<u>43,840.57</u>	<u>\$ 45,000.00</u>	<u>\$ (1,159.43)</u>
Receipts Over(Under) Expenditures	(3,449.80)	(241.97)		
Unencumbered Cash, Beginning	<u>3,691.77</u>	<u>241.97</u>		
Unencumbered Cash, Ending	<u>\$ 241.97</u>	<u>\$ -</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
CITY EMPLOYEE BENEFITS FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 406,066.18	\$ 386,554.91	\$ 411,140.00	\$ (24,585.09)
Delinquent Tax	19,771.45	15,254.85	18,000.00	(2,745.15)
Motor Vehicle Tax	96,931.03	73,260.03	71,077.00	2,183.03
Rental Motor Vehicle Tax	114.86	81.51	-	81.51
Recreational Vehicle Tax	1,098.32	830.50	799.00	31.50
16M-20M Truck Tax	1,167.69	688.79	988.00	(299.21)
Payments on Lieu of Taxes	1,119.24	1,184.90	-	1,184.90
Other Revenues				
Reimbursed Expense	7,929.33	12,835.82	-	12,835.82
Total Cash Receipts	<u>534,198.10</u>	<u>490,691.31</u>	<u>\$ 502,004.00</u>	<u>\$ (11,312.69)</u>
Expenditures and Transfers				
Subject to Budget				
General Government				
Employee Benefits	687,579.00	688,978.60	\$ 767,597.00	\$ (78,618.40)
Total Certified Budget			767,597.00	(78,618.40)
Adjustments for Qualifying				
Budget Credits			12,835.82	(12,835.82)
Total Expenditures and Transfers Subject to Budget	<u>687,579.00</u>	<u>688,978.60</u>	<u>\$ 780,432.82</u>	<u>\$ (91,454.22)</u>
Receipts Over(Under) Expenditures	(153,380.90)	(198,287.29)		
Unencumbered Cash, Beginning	<u>581,912.49</u>	<u>428,531.59</u>		
Unencumbered Cash, Ending	<u>\$ 428,531.59</u>	<u>\$ 230,244.30</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
SPECIAL LIABILITY EXPENSE FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Delinquent Tax	\$ 156.82	\$ 87.34	\$ 87.00	\$ 0.34
Other Revenues				
Reimbursed Expense	-	3,741.55	50.00	3,691.55
Total Cash Receipts	<u>156.82</u>	<u>3,828.89</u>	<u>\$ 137.00</u>	<u>\$ 3,691.89</u>
Expenditures and Transfers				
Subject to Budget				
General Government				
Contractual Services	2,833.20	28,441.03	\$ 80,000.00	\$ (51,558.97)
Operating Transfers to				
General Fund	39,313.53	-	-	-
Total Expenditures and Transfers				
Subject to Budget	<u>42,146.73</u>	<u>28,441.03</u>	<u>\$ 80,000.00</u>	<u>\$ (51,558.97)</u>
Receipts Over(Under) Expenditures	(41,989.91)	(24,612.14)		
Unencumbered Cash, Beginning	<u>560,156.10</u>	<u>518,166.19</u>		
Unencumbered Cash, Ending	<u>\$ 518,166.19</u>	<u>\$ 493,554.05</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
RECREATION COMPLEX FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Use of Money and Property				
Rents & Royalties	\$ -	\$ 19,000.00	\$ -	\$ 19,000.00
Other Revenues				
Miscellaneous	-	185,371.53	202,000.00	(16,628.47)
Total Cash Receipts	-	204,371.53	\$ 202,000.00	\$ 2,371.53
Expenditures and Transfers				
Subject to Budget				
General Government				
Contractual Services	-	83,761.97	\$ 100,000.00	\$ (16,238.03)
Total Expenditures and Transfers				
Subject to Budget	-	83,761.97	\$ 100,000.00	\$ (16,238.03)
Receipts Over(Under) Expenditures	-	120,609.56		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 120,609.56</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
SPECIAL PARKS AND RECREATION FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Local Alcoholic Liquor Tax	\$ 25,927.31	\$ 22,155.14	\$ 26,387.00	\$ (4,231.86)
Intergovernmental				
State Grants	1,869.45	2,492.60	-	2,492.60
Other Revenues				
Donations	1,623.15	-	-	-
Total Cash Receipts	<u>29,419.91</u>	<u>24,647.74</u>	<u>\$ 26,387.00</u>	<u>\$ (1,739.26)</u>
Expenditures and Transfers				
Subject to Budget				
Culture and Recreation				
Capital Outlay	10,766.54	38,238.51	\$ 67,000.00	\$ (28,761.49)
Total Expenditures and Transfers				
Subject to Budget	<u>10,766.54</u>	<u>38,238.51</u>	<u>\$ 67,000.00</u>	<u>\$ (28,761.49)</u>
Receipts Over(Under) Expenditures	18,653.37	(13,590.77)		
Unencumbered Cash, Beginning	<u>130,906.87</u>	<u>149,560.24</u>		
Unencumbered Cash, Ending	<u>\$ 149,560.24</u>	<u>\$ 135,969.47</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
SPECIAL ALCOHOL PROGRAMS FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Local Alcoholic Liquor Tax	\$ 25,927.31	\$ 22,155.16	\$ 32,000.00	\$ (9,844.84)
Total Cash Receipts	25,927.31	22,155.16	\$ 32,000.00	\$ (9,844.84)
Expenditures and Transfers				
Subject to Budget				
Culture and Recreation				
Alcohol Programs	13,373.73	29,229.72	\$ 32,000.00	\$ (2,770.28)
Total Expenditures and Transfers				
Subject to Budget	13,373.73	29,229.72	\$ 32,000.00	\$ (2,770.28)
Receipts Over(Under) Expenditures	12,553.58	(7,074.56)		
Unencumbered Cash, Beginning	109,561.45	122,115.03		
Unencumbered Cash, Ending	\$ 122,115.03	\$ 115,040.47		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
TOURISM AND CONVENTION FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Transient Guest Tax	\$ 53,400.80	\$ 49,175.44	\$ 49,175.00	\$ 0.44
Total Cash Receipts	<u>53,400.80</u>	<u>49,175.44</u>	<u>\$ 49,175.00</u>	<u>\$ 0.44</u>
Expenditures and Transfers				
Subject to Budget				
General Government				
Contractual Services	65,000.00	80,500.00	\$ 85,500.00	\$ (5,000.00)
Total Expenditures and Transfers				
Subject to Budget	<u>65,000.00</u>	<u>80,500.00</u>	<u>\$ 85,500.00</u>	<u>\$ (5,000.00)</u>
Receipts Over(Under) Expenditures	(11,599.20)	(31,324.56)		
Unencumbered Cash, Beginning	<u>87,698.95</u>	<u>76,099.75</u>		
Unencumbered Cash, Ending	<u>\$ 76,099.75</u>	<u>\$ 44,775.19</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
EMERGENCY TELEPHONE FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Emergency Telephone Tax	\$ 31,113.41	\$ 34,585.35	\$ 30,000.00	\$ 4,585.35
Total Cash Receipts	<u>31,113.41</u>	<u>34,585.35</u>	<u>\$ 30,000.00</u>	<u>\$ 4,585.35</u>
Expenditures and Transfers				
Subject to Budget				
General Government				
Contractual Services	6,000.00	65,222.68	\$ 66,000.00	\$ (777.32)
Total Expenditures and Transfers				
Subject to Budget	<u>6,000.00</u>	<u>65,222.68</u>	<u>\$ 66,000.00</u>	<u>\$ (777.32)</u>
Receipts Over(Under) Expenditures	25,113.41	(30,637.33)		
Unencumbered Cash, Beginning	<u>86,471.89</u>	<u>111,585.30</u>		
Unencumbered Cash, Ending	<u>\$ 111,585.30</u>	<u>\$ 80,947.97</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
SPECIAL HIGHWAY IMPROVEMENT FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Motor Fuel Tax	\$ 236,065.23	\$ 233,008.47	\$ 233,008.00	\$ 0.47
Other Revenues				
Reimbursed Expense	108.79	6,135.11	-	6,135.11
Total Cash Receipts	236,174.02	239,143.58	\$ 233,008.00	\$ 6,135.58
Expenditures and Transfers				
Subject to Budget				
General Government				
Personal Services	-	42,000.00	\$ 42,000.00	\$ -
Contractual Services	1,002,734.24	-	-	-
Capital Outlay	140,853.09	240,594.64	329,239.00	(88,644.36)
Operating Transfers to:				
General Obligation				
Bond and Interest Fund	-	860,557.39	860,557.00	0.39
Capital Improvement #1 Fund	-	17,137.70	17,138.00	(0.30)
Total Expenditures and Transfers				
Subject to Budget	1,143,587.33	1,160,289.73	\$ 1,248,934.00	\$ (88,644.27)
Receipts Over(Under) Expenditures	(907,413.31)	(921,146.15)		
Unencumbered Cash, Beginning	3,136,507.43	2,229,094.12		
Unencumbered Cash, Ending	\$ 2,229,094.12	\$ 1,307,947.97		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
CAPITAL IMPROVEMENT #1 FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Operating Transfers from:		
Electric Utility Fund	\$ 400,000.00	\$ 363,000.00
Gas Utility Fund	200,000.00	118,000.00
Sewer Utility Fund	118,417.57	380,531.05
Electric, Water, and Gas Bond and Interest Fund	90,000.00	-
Special Highway Improvement Fund	-	17,137.70
Total Cash Receipts	<u>808,417.57</u>	<u>878,668.75</u>
Expenditures and Transfers		
Capital Projects		
Capital Outlay	1,339,337.98	1,757,577.86
Operating Transfer to Electric, Water, and Gas Bond and Interest Fund	-	<u>203,470.29</u>
Total Expenditures and Transfers	<u>1,339,337.98</u>	<u>1,961,048.15</u>
Receipts Over(Under) Expenditures	(530,920.41)	(1,082,379.40)
Unencumbered Cash, Beginning	<u>2,444,577.12</u>	<u>1,913,656.71</u>
Unencumbered Cash, Ending	<u>\$ 1,913,656.71</u>	<u>\$ 831,277.31</u>

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
CAPITAL IMPROVEMENT #2 FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Taxes and Shared Revenue		
Federal Grants - FEMA	\$ 22,338.13	\$ 2,250.00
Federal Grants - FAA - 06	141,678.00	55,683.00
Federal Grants - KDOT	-	9,907.20
Federal Grants - CDBG - Rehab	160,240.00	25,570.00
Federal Grants - CDBG - Flood	-	7,145.00
State Grants - FEMA	2,978.41	300.00
Use of Money and Property		
Interest Income	146,399.05	53,600.95
Sale of Property and Materials	4,232.05	37,815.40
Other Revenue		
Donations	-	50.00
Reimbursed Expense	450.00	-
Operating Transfers from:		
General Fund	49,335.00	93,050.09
Electric Utility Fund	100,000.00	500,000.00
Gas Utility Fund	-	200,000.00
Total Cash Receipts	<u>627,650.64</u>	<u>985,371.64</u>
Expenditures and Transfers		
Capital Projects		
Capital Outlay	<u>2,242,430.37</u>	<u>594,203.69</u>
Total Expenditures and Transfers	<u>2,242,430.37</u>	<u>594,203.69</u>
Receipts Over(Under) Expenditures	(1,614,779.73)	391,167.95
Unencumbered Cash, Beginning	<u>1,984,575.15</u>	<u>369,795.42</u>
Unencumbered Cash, Ending	<u>\$ 369,795.42</u>	<u>\$ 760,963.37</u>

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
EQUIPMENT RESERVE FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Licenses and Permits		
Dog Permits	\$ -	\$ 952.00
Use of Money and Property		
Interest Income	-	163,838.97
Operating Transfers from:		
General Fund	-	66,000.00
Electric Utility Fund	200,000.00	-
Gas Utility Fund	100,000.00	6,000.00
Sewer Utility Fund	-	3,000.00
Refuse Utility Fund	-	50,000.00
Utility Services Fund	-	10,500.00
Total Cash Receipts	300,000.00	300,290.97
Expenditures and Transfers		
Equipment and Machinery		
Capital Outlay	84,549.07	202,154.37
Debt Service		
Capital Lease Payments	12,039.53	-
Total Expenditures and Transfers	96,588.60	202,154.37
Receipts Over(Under) Expenditures	203,411.40	98,136.60
Unencumbered Cash, Beginning	464,165.56	667,576.96
Unencumbered Cash, Ending	<u>\$ 667,576.96</u>	<u>\$ 765,713.56</u>

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
EFFICIENCY KANSAS GRANT FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental		
Federal Grants	\$ 16,513.60	\$ 148,912.88
Charges for Services		
Utility Revenues	-	5,033.28
Service Fees	-	203.83
Energy Audits	-	808.21
Operating Transfers from		
Electric Utility Fund	-	4,900.00
Total Cash Receipts	16,513.60	159,858.20
Expenditures and Transfers		
Equipment and Machinery		
Capital Outlay	16,513.60	159,529.34
Total Expenditures and Transfers	16,513.60	159,529.34
Receipts Over(Under) Expenditures	-	328.86
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ 328.86

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
GRANT PROJECTS FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental		
Federal Grants - CDBG - Rehab	\$ -	\$ 215,313.00
Federal Grants - ESG	-	44,947.71
Federal Grants - Take Charge	-	25,000.00
Federal Grants - Parks	-	75,000.00
State Grants - Old City Dump	-	66,390.50
Use of Money and Property		
Capital Lease Proceeds	-	4,308.00
Other Revenues		
Donations	-	18,781.75
Total Cash Receipts	-	449,740.96
Expenditures and Transfers		
Equipment and Machinery		
Contractual Services	5,389.04	376,321.19
Total Expenditures and Transfers	5,389.04	376,321.19
Receipts Over(Under) Expenditures	(5,389.04)	73,419.77
Unencumbered Cash, Beginning	-	(5,389.04)
Unencumbered Cash, Ending	\$ (5,389.04)	\$ 68,030.73

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
GENERAL OBLIGATION BOND AND INTEREST FUND
Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 472,617.74	\$ 471,439.34	\$ 471,439.00	\$ 0.34
Delinquent Tax	9,043.48	11,008.74	11,686.00	(677.26)
Motor Vehicle Tax	58,934.51	76,700.52	76,701.00	(0.48)
Rental Motor Vehicle Tax	84.13	94.87	95.00	(0.13)
Recreational Vehicle Tax	684.34	864.99	693.00	171.99
16M-20M Truck Tax	333.64	504.47	-	504.47
Payments in Lieu of Taxes	1,302.65	1,445.10	1,445.00	0.10
Sales Tax	409,069.34	-	-	-
Special Assessments	5,725.09	9,791.25	9,791.00	0.25
Use of Money and Property				
Bond Proceeds 2010A	5,335,000.00	-	-	-
Bond Proceeds 2010B	13,635,000.00	-	12,516.00	(12,516.00)
Bond Subsidy 2009C	48,411.07	44,316.79	44,317.00	(0.21)
Interest Income	5,701.60	0.70	-	0.70
Operating Transfers from:				
General Fund	-	449,632.97	369,994.00	79,638.97
Electric Utility Fund	1,239,970.09	1,408,947.76	955,024.00	453,923.76
Refuse Utility Fund	183,012.48	170,252.54	170,253.00	(0.46)
Special Highway Improvement Fund	-	860,557.39	860,557.00	0.39
Total Cash Receipts	21,404,890.16	3,505,557.43	\$ 2,984,511.00	\$ 521,046.43
Expenditures and Transfers				
Subject to Budget				
Debt Service				
Bond Principal	20,315,000.00	2,210,000.00	\$ 2,210,000.00	\$ -
Bond Interest	731,284.86	1,077,463.97	1,077,464.00	(0.03)
Bond Issuance Cost	122,757.21	540.00	-	540.00
Arbitrage Rebate	33,599.18	-	-	-
Total Expenditures and Transfers Subject to Budget	21,202,641.25	3,288,003.97	\$ 3,287,464.00	\$ 539.97
Receipts Over(Under) Expenditures	202,248.91	217,553.46		
Unencumbered Cash, Beginning	448,391.44	650,640.35		
Unencumbered Cash, Ending	<u>\$ 650,640.35</u>	<u>\$ 868,193.81</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
SPECIAL OBLIGATION BOND AND INTEREST FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Sales Tax	\$ 11,800.00	\$ 11,800.00	\$ 11,800.00	\$ -
Use of Money and Property				
Interest Income	0.31	-	-	-
Operating Transfers from General Fund	45,880.00	45,880.00	45,880.00	-
Total Cash Receipts	57,680.31	57,680.00	\$ 57,680.00	\$ -
Expenditures and Transfers				
Subject to Budget				
Debt Service				
Bond Principal	26,000.00	28,000.00	\$ 28,000.00	\$ -
Bond Interest	31,680.00	30,383.97	30,384.00	(0.03)
Debt Service Cost	1,045.00	1,055.00	1,100.00	(45.00)
Total Expenditures and Transfers Subject to Budget	58,725.00	59,438.97	\$ 59,484.00	\$ (45.03)
Receipts Over(Under) Expenditures	(1,044.69)	(1,758.97)		
Unencumbered Cash, Beginning	15,024.07	13,979.38		
Unencumbered Cash, Ending	<u>\$ 13,979.38</u>	<u>\$ 12,220.41</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
ELECTRIC UTILITY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Revenue	\$ 21,976,807.99	\$ 21,798,688.01	\$ 21,450,000.00	\$ 348,688.01
Service Revenue	409,840.33	463,475.72	500,000.00	(36,524.28)
Use of Money and Property				
Sale of Property and Materials	33,641.53	2,529.78	100,000.00	(97,470.22)
Other Revenues				
Claims	7,943.04	20,339.54	-	20,339.54
Recovery of Bad Debts	19,508.04	20,453.54	-	20,453.54
Miscellaneous	7,018.97	8,653.00	-	8,653.00
Refunds & Reimbursements	(2,903.05)	(1,059.23)	-	(1,059.23)
Total Cash Receipts	<u>22,451,856.85</u>	<u>22,313,080.36</u>	<u>\$ 22,050,000.00</u>	<u>\$ 263,080.36</u>
Expenditures and Transfers				
Subject to Budget				
Production	16,296,122.06	15,200,906.79	\$ 14,366,971.00	\$ 833,935.79
Distribution	1,135,337.15	1,130,373.72	1,293,188.00	(162,814.28)
Fiber Communications	537,406.95	399,840.75	440,000.00	(40,159.25)
Administration and General	900,537.82	988,284.97	800,550.00	187,734.97
Operating Transfers to:				
General Fund	1,447,867.01	1,115,935.31	1,097,500.00	18,435.31
Equipment Reserve Fund	200,000.00	-	-	-
Capital Improvement #1 Fund	400,000.00	363,000.00	363,000.00	-
Capital Improvement #2 Fund	100,000.00	500,000.00	-	500,000.00
General Obligation Bond and Interest Fund	1,239,970.09	1,408,947.76	3,512,415.00	(2,103,467.24)
Water Utility Fund	-	75,000.00	-	75,000.00
Efficiency Kansas Grant Fund	-	4,900.00	-	4,900.00
Electric, Water, and Gas Bond and Interest Fund	1,616,216.91	477,511.56	-	477,511.56
Total Expenditures and Transfers Subject to Budget	<u>23,873,457.99</u>	<u>21,664,700.86</u>	<u>\$ 21,873,624.00</u>	<u>\$ (208,923.14)</u>
Receipts Over(Under) Expenditures	(1,421,601.14)	648,379.50		
Unencumbered Cash, Beginning	2,755,993.19	1,334,392.05		
Unencumbered Cash, Ending	<u>\$ 1,334,392.05</u>	<u>\$ 1,982,771.55</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
WATER UTILITY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Revenues	\$ 1,100,557.94	\$ 1,141,618.54	\$ 1,057,274.00	\$ 84,344.54
Service Revenues	415.00	1,945.00	-	1,945.00
Use of Money and Property				
Sale of Property and Materials	2,973.95	82.40	-	82.40
Rental Income	11,220.00	11,220.00	-	11,220.00
Intergovernmental				
Federal Grants	-	9,811.00	-	9,811.00
Other Revenues				
Recovery of Bad Debts	3,563.18	3,610.72	-	3,610.72
Refunds & Reimbursements	699.58	172.18	-	172.18
Operating Transfers from				
Electric Utility Fund	-	75,000.00	230,000.00	(155,000.00)
Total Cash Receipts	<u>1,119,429.65</u>	<u>1,243,459.84</u>	<u>\$ 1,287,274.00</u>	<u>\$ (43,814.16)</u>
Expenditures and Transfers				
Subject to Budget				
Source of Supply	16,125.38	15,771.32	\$ 13,500.00	\$ 2,271.32
Treatment Plant	578,033.59	629,379.31	623,764.00	5,615.31
Transmission and Distribution	258,310.66	277,136.49	340,666.00	(63,529.51)
Administration and General	124,486.44	127,387.31	100,159.00	27,228.31
Debt Service - Revolving Loan	172,972.32	172,972.32	172,972.00	0.32
Operating Transfers to				
General Fund	56,292.70	58,591.11	52,914.00	5,677.11
Total Expenditures and Transfers	<u>1,206,221.09</u>	<u>1,281,237.86</u>	<u>\$ 1,303,975.00</u>	<u>\$ (22,737.14)</u>
Receipts Over(Under) Expenditures	(86,791.44)	(37,778.02)		
Unencumbered Cash, Beginning	<u>183,321.60</u>	<u>96,530.16</u>		
Unencumbered Cash, Ending	<u>\$ 96,530.16</u>	<u>\$ 58,752.14</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
GAS UTILITY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Revenues	\$ 4,086,970.46	\$ 4,106,612.62	\$ 4,713,149.00	\$ (606,536.38)
Service Revenues	1,770.34	2,463.00	-	2,463.00
Sale of Property and Materials	3,727.52	7,682.00	-	7,682.00
Other Revenues				
Claims	8.79	998.82	-	998.82
Recovery of Bad Debts	16,295.53	16,996.22	-	16,996.22
Miscellaneous	1,472.15	1,050.00	-	1,050.00
Refunds & Reimbursements	4,771.22	615.09	-	615.09
Total Cash Receipts	4,115,016.01	4,136,417.75	\$ 4,713,149.00	\$ (576,731.25)
Expenditures and Transfers				
Subject to Budget				
Gas Supply	2,307,910.14	2,291,492.75	\$ 2,500,000.00	\$ (208,507.25)
Gas Storage	621,626.47	580,300.15	750,000.00	(169,699.85)
Distribution	689,186.13	626,463.12	816,121.00	(189,657.88)
Administration and General	195,767.56	177,291.13	125,614.00	51,677.13
Operating Transfers to:				
General Fund	205,813.32	209,005.45	235,657.00	(26,651.55)
Capital Improvement #1 Fund	200,000.00	118,000.00	118,000.00	-
Capital Improvement #2 Fund	-	200,000.00	-	200,000.00
Equipment Reserve Fund	100,000.00	6,000.00	6,000.00	-
Total Certified Budget			4,551,392.00	(342,839.40)
Adjustments for Qualifying				
Budget Credits			615.09	(615.09)
Total Expenditures and Transfers				
Subject to Budget	4,320,303.62	4,208,552.60	\$ 4,552,007.09	\$ (343,454.49)
Receipts Over(Under) Expenditures	(205,287.61)	(72,134.85)		
Unencumbered Cash, Beginning	1,525,189.64	1,319,902.03		
Unencumbered Cash, Ending	<u>\$ 1,319,902.03</u>	<u>\$ 1,247,767.18</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
REFUSE UTILITY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Revenues	\$ 819,942.73	\$ 789,041.32	\$ 776,105.00	\$ 12,936.32
Landfill Revenues	173,004.07	205,655.76	175,000.00	30,655.76
Sale of Property or Materials	6,336.60	6,812.40	-	6,812.40
Other Revenues				
Recovery of Bad Debts	2,473.67	2,949.85	-	2,949.85
Miscellaneous	-	-	2,000.00	(2,000.00)
Refuse Licenses & Permits	200.00	550.00	-	550.00
Total Cash Receipts	<u>1,001,957.07</u>	<u>1,005,009.33</u>	<u>\$ 953,105.00</u>	<u>\$ 51,904.33</u>
Expenditures and Transfers				
Subject to Budget				
Collections	295,511.55	282,036.65	\$ 313,860.00	\$ (31,823.35)
Refuse Landfill	396,132.35	300,344.35	447,601.00	(147,256.65)
Administration and General	167,703.41	85,866.26	64,351.00	21,515.26
Operating Transfers to:				
General Fund	49,865.06	49,729.56	47,555.00	2,174.56
Industrial Fund	-	6,955.80	-	6,955.80
Equipment Reserve Fund	-	50,000.00	50,000.00	-
General Obligation Bond and Interest Fund	183,012.48	170,252.54	189,163.00	(18,910.46)
Total Expenditures and Transfers Subject to Budget	<u>1,092,224.85</u>	<u>945,185.16</u>	<u>\$ 1,112,530.00</u>	<u>\$ (167,344.84)</u>
Receipts Over(Under) Expenditures	(90,267.78)	59,824.17		
Unencumbered Cash, Beginning	<u>186,923.13</u>	<u>96,655.35</u>		
Unencumbered Cash, Ending	<u>\$ 96,655.35</u>	<u>\$ 156,479.52</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
SEWER UTILITY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Revenues	\$ 1,170,746.00	\$ 1,158,130.11	\$ 1,201,335.00	\$ (43,204.89)
Service Revenues	-	50.00	-	50.00
Other Revenues				
Refunds & Reimbursements	-	172.18	-	172.18
Recovery of Bad Debts	3,995.49	4,558.82	-	4,558.82
Miscellaneous	1,480.72	2,578.41	-	2,578.41
Total Cash Receipts	1,176,222.21	1,165,489.52	\$ 1,201,335.00	\$ (35,845.48)
Expenditures and Transfers				
Subject to Budget				
Collections	250,515.18	276,210.76	\$ 249,444.00	\$ 26,766.76
Pumping	7,407.66	7,291.36	8,200.00	(908.64)
Treatment and Disposal	558,699.56	551,383.45	534,897.00	16,486.45
Administration and General	49,505.34	79,261.95	37,631.00	41,630.95
Storm Drainage Maintenance	52,157.17	-	161,000.00	(161,000.00)
Debt Service				
Principal	39,591.95	40,925.37	59,404.00	(18,478.63)
Interest	18,329.18	17,095.57	-	17,095.57
Debt Service Cost	1,482.95	1,383.14	-	1,383.14
Operating Transfers to:				
General Fund	58,768.30	57,181.58	51,259.00	5,922.58
Equipment Reserve Fund	-	3,000.00	-	3,000.00
Capital Improvement #1 Fund	118,417.57	380,531.05	320,000.00	60,531.05
Total Expenditures and Transfers Subject to Budget	1,154,874.86	1,414,264.23	\$ 1,421,835.00	\$ (7,570.77)
Receipts Over(Under) Expenditures	21,347.35	(248,774.71)		
Unencumbered Cash, Beginning	464,720.04	486,067.39		
Unencumbered Cash, Ending	<u>\$ 486,067.39</u>	<u>\$ 237,292.68</u>		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
ELECTRIC, WATER, AND GAS BOND AND INTEREST FUND
Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Use of Money and Property				
Interest Income	\$ 34,050.00	\$ 13,602.76	\$ -	\$ 13,602.76
Operating Transfers from:				
Electric Utility Fund	1,616,216.91	477,511.56	2,459,310.00	(1,981,798.44)
Capital Improvement #1 Fund	-	203,470.29	-	203,470.29
Total Cash Receipts	1,650,266.91	694,584.61	\$ 2,459,310.00	\$ (1,764,725.39)
Expenditures and Transfers				
Subject to Budget				
Debt Service				
Bond Principal	1,230,000.00	335,000.00	\$ 1,045,000.00	\$ (710,000.00)
Bond Interest	924,098.75	368,707.50	1,414,310.00	(1,045,602.50)
Operating Transfers to				
Capital Improvement #1 Fund	90,000.00	-	-	-
Total Expenditures and Transfers				
Subject to Budget	2,244,098.75	703,707.50	\$ 2,459,310.00	\$ (1,755,602.50)
Receipts Over(Under) Expenditures	(593,831.84)	(9,122.89)		
Unencumbered Cash, Beginning	985,677.59	391,845.75		
Unencumbered Cash, Ending	\$ 391,845.75	\$ 382,722.86		

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
ELECTRIC, WATER, AND GAS BOND RESERVE FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Use of Money and Property		
Interest Income	\$ 394.31	\$ -
Total Cash Receipts	394.31	-
Expenditures and Transfers		
Debt Service		
Bond Interest	2,040,000.00	-
Total Expenditures and Transfers	2,040,000.00	-
Receipts Over(Under) Expenditures	(2,039,605.69)	-
Unencumbered Cash, Beginning	2,952,195.42	912,589.73
Unencumbered Cash, Ending	\$ 912,589.73	\$ 912,589.73

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
VEHICLE SERVICES FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Charges for Services		
Internal Vehicle Service Charges	\$ 472,207.75	\$ 502,411.18
Use of Money and Property		
Interest Income	13.86	-
Sale of Property and Materials	2,440.07	612.92
Other Revenues		
Miscellaneous	354.00	382.32
Reimbursed Expense	2,944.56	879.08
	477,960.24	504,285.50
Total Cash Receipts		
Expenditures and Transfers		
Vehicle Services Shop	475,102.79	507,142.95
	475,102.79	507,142.95
Total Expenditures and Transfers		
Receipts Over(Under) Expenditures	2,857.45	(2,857.45)
Unencumbered Cash, Beginning	-	2,857.45
Unencumbered Cash, Ending	\$ 2,857.45	\$ -

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
UTILITY SERVICES FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Charges for Services		
Utility Internal Service Charges	\$ 795,911.76	\$ 928,994.04
Utility Service Initiation Fee	23,630.00	24,238.18
Utility Service Reconnection Fee	3,220.00	4,307.00
Utility Late Payment Fees	74,731.89	74,832.14
Efficiency Service Charges	-	101.92
Bad Check Charges	1,140.00	1,128.42
Other Revenues		
Recovery of Bad Debts	4,406.53	4,340.00
Miscellaneous	531.43	715.36
Total Cash Receipts	903,571.61	1,038,657.06
Expenditures and Transfers		
City Clerk's Office	308,188.97	345,640.70
Utility Office	220,035.52	239,672.50
Data Processing	201,934.26	205,141.08
Meter Reading	173,412.86	237,702.78
Operating Transfers to Equipment Reserve Fund	-	10,500.00
Total Expenditures and Transfers	903,571.61	1,038,657.06
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ -

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
PUBLIC WORKS AND UTILITY COMPLEX FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Actual
Cash Receipts		
Charges for Services		
Public Works Internal Charges	\$ 140,189.68	\$ 126,272.00
Total Cash Receipts	140,189.68	126,272.00
Expenditures and Transfers		
Public Works and Utility Complex	140,189.68	124,631.17
Total Expenditures and Transfers	140,189.68	124,631.17
Receipts Over(Under) Expenditures	-	1,640.83
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ 1,640.83

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS

Agency Funds

Schedule of Cash Receipts and Cash Disbursements

For the Year Ended December 31, 2011

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Payroll Clearing	\$ 77,614.48	\$ 1,264,574.14	\$ 1,263,541.44	\$ 78,647.18
Interest Clearing Account	-	217,439.92	217,439.92	-
Health Insurance Fund	605,522.71	1,214,216.29	1,289,581.11	530,157.89
Sales Tax Collections	(18,705.02)	509,761.96	507,826.97	(16,770.03)
State Water Fees	2,582.37	10,547.34	10,200.08	2,929.63
Kansas Solid Waste Fees	9,650.05	15,610.75	12,118.24	13,142.56
Utility Security Deposit	225,765.44	76,603.99	61,050.46	241,318.97
Utility Security Deposit Interest	70,382.25	2,181.10	3,852.19	68,711.16
Law Enforcement Drug Funds	3,040.80	217.42	2,290.73	967.49
Alliance of Churches Utility Aid	610.11	478.38	610.11	478.38
City Revolving Loan	100,622.10	237,827.03	149,362.87	189,086.26
Fire Insurance Proceeds	2,388.95	3,000.00	-	5,388.95
Veterans Day Parade Account	653.36	-	-	653.36
	<u>\$ 1,080,127.60</u>	<u>\$ 3,552,458.32</u>	<u>\$ 3,517,874.12</u>	<u>\$ 1,114,711.80</u>

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
CHANUTE PUBLIC LIBRARY

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Taxes and Shared Revenue		
SEK Library Association	\$ 11,706.00	\$ 12,695.00
City of Chanute	330,960.29	339,525.88
State Aid	4,967.00	4,294.00
Use of Money and Property		
Interest Income	6,987.55	5,594.70
Other Receipts		
Fines and Fees	5,832.54	7,426.85
Grants	4,770.16	3,969.85
Gifts and Donations	3,345.00	2,927.70
Miscellaneous	7,175.41	10,300.89
	375,743.95	386,734.87
Total Cash Receipts		
Expenditures and Transfers		
Culture and Recreation		
Personal Services	227,186.87	234,038.86
Contractual Services	57,081.52	62,383.08
Commodities	55,755.27	61,221.57
Capital Outlay	39,552.13	67,721.40
	379,575.79	425,364.91
Total Expenditures and Transfers		
Receipts Over(Under) Expenditures	(3,831.84)	(38,630.04)
Unencumbered Cash, Beginning	407,844.50	404,012.66
Unencumbered Cash, Ending	\$ 404,012.66	\$ 365,382.62

See accompanying independent auditors' report

CITY OF CHANUTE, KANSAS
THE HOUSING AUTHORITY OF THE CITY OF CHANUTE, KANSAS

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Taxes and Shared Revenue		
Federal Grant Income	\$ 623,173.00	\$ 648,203.00
Use of Money and Property		
Interest Income	1,635.00	1,029.00
Rental Income	212,788.00	201,034.00
Other Receipts		
Miscellaneous	8,607.00	9,736.00
	<u>846,203.00</u>	<u>860,002.00</u>
Total Cash Receipts		
Expenditures and Transfers		
Culture and Recreation		
Administrative	206,634.00	202,215.00
Tenant Services	18,217.00	20,282.00
Utilities	77,270.00	77,833.00
Maintenance and Operations	243,683.00	244,649.00
Protective Services	3,630.00	3,351.00
Insurance, Taxes, and Collection Losses	69,637.00	75,687.00
Extraordinary Maintenance	11,633.00	26,170.00
Housing Assistance Payments	93,977.00	82,900.00
Capital Outlay	219,612.00	48,521.00
	<u>944,293.00</u>	<u>781,608.00</u>
Total Expenditures and Transfers		
Receipts Over(Under) Expenditures	(98,090.00)	78,394.00
Unencumbered Cash, Beginning	184,350.00	86,260.00
Unencumbered Cash, Ending	<u>\$ 86,260.00</u>	<u>\$ 164,654.00</u>

See accompanying independent auditors' report

FEDERAL COMPLIANCE SECTION

CITY OF CHANUTE, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL CFDA NUMBER	CASH RECEIPTS	DISBURSE- MENTS/ EXPENDITURES
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Passed through the Kansas Department of Emergency Management Disaster Grants - Public Assistance	HM-1675-0113	97.036	\$ 2,255.00	\$ 2,255.00
Passed through the Southeast Kansas Regional Homeland Security Council Homeland Security Grant Program	HSGP-FY09	97.067	16,757.73	16,757.73
Total U.S. Department of Homeland Security			19,012.73	19,012.73
<u>U.S. DEPARTMENT OF ENERGY</u>				
Passed through the Kansas Energy Office Energy Efficiency and Conservation Block Grant - ARRA	EECBG - Chanutte	81.128	25,000.00	25,000.00
Passed through the Kansas Corporation Commission Energy Efficiency and Conservation Block Grant - ARRA	EECBG - Chanutte	81.128	148,912.88	148,912.88
Total U.S. Department of Energy			173,912.88	173,912.88
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Passed through the Kansas Department of Health and Environment Capitalization Grants for Drinking Water - ARRA	E5500	66.468	9,811.00	9,811.00
Total U.S. Environmental Protection Agency			9,811.00	9,811.00
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Direct Grant Airport Improvement Program	N/A	20.106	55,683.00	70,978.00
Passed through the Kansas Department of Transportation Highway Planning and Construction	67 U-1983-01	20.205	9,907.20	9,907.20
Passed through the Kansas Wildlife and Parks Recreational Trails Program	NRF-001-6C	20.600	75,000.00	75,000.00
Total U.S. Department of Transportation			140,590.20	155,885.20

See accompanying independent auditors' report
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CITY OF CHANUTE, KANSAS
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL CFDA NUMBER	CASH RECEIPTS	DISBURSE- MENTS/ EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Passed through the Kansas Department of Commerce				
Community Development Block Grant Cluster	07-IT-711	14.218	\$ 7,145.00	\$ 812.00
Community Development Block Grant	09-RA-003	14.218	233,483.00	233,419.94
Community Development Block Grant		Total 14.218	240,628.00	234,231.94
Community Development Block Grant - ARRA	09-RA-003	14.253	7,400.00	7,400.00
	Total Community Development Clock Grant Cluster	(M)	248,028.00	241,631.94
Passed through the Kansas Housing Resources Corporation				
Emergency Shelter Grant	ESG-FFY2010	14.231	24,089.34	18,700.30
Emergency Shelter Grant	ESG-FFY2011	14.231	20,858.37	20,858.37
	Total 14.231		44,947.71	39,558.67
Total U.S. Department of Housing and Urban Development			292,975.71	281,190.61
TOTAL ALL PROGRAMS			\$ 636,302.52	\$ 639,812.42

Note to the Schedule of Expenditures of Federal Awards:

Federal expenditures are recorded on the accrual basis of accounting, which records expenses when the goods or services are received, and not necessarily when paid.

(M) - Tested as a Major Program

See accompanying independent auditors' report

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Commissioners
City of Chanute, Kansas

We have audited the financial statements of the City of Chanute, Kansas, as of and for the year ended December 31, 2011, which collectively comprise the City of Chanute, Kansas' basic financial statements and have issued our report thereon dated May 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Chanute, Kansas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Chanute, Kansas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Chanute, Kansas' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Chanute, Kansas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 23, 2012
Chanute, Kansas

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Commissioners
City of Chanute, Kansas

Compliance

We have audited City of Chanute, Kansas' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of City of Chanute, Kansas' major federal programs for the year ended December 31, 2011. City of Chanute, Kansas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Chanute, Kansas' management. Our responsibility is to express an opinion on City of Chanute, Kansas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Chanute, Kansas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Chanute, Kansas' compliance with those requirements.

In our opinion, City of Chanute, Kansas, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control over Compliance

Management of City of Chanute, Kansas, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Chanute, Kansas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Chanute, Kansas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Commission, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jarred, Gilmore & Phillips, PA".

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 23, 2012
Chanute, Kansas

CITY OF CHANUTE, KANSAS

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

The auditors' report expresses a qualified opinion on the financial statements of City of Chanute, Kansas.

Internal Control over Financial Reporting:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiencies identified that are not considered to be a material weakness?	_____	Yes	<u> X </u>	No
Non compliance or other matters required to be reported under <i>Government Auditing Standards</i>	_____	Yes	<u> X </u>	No

Federal Awards:

Internal control over major programs:				
Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiencies identified that are not considered to be a material weaknesses?	_____	Yes	<u> X </u>	No

The auditors' report on compliance for the major federal award programs for City of Chanute, Kansas expresses an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____	Yes	<u> X </u>	No
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Identification of major programs:

U.S. Department of Housing and Urban Development

Community Development Block Grant Cluster
Community Development Block Grant – CFDA No. 14.228
Community Development Block Grant – ARRA – CFDA No. 14.253

U.S. Department of Energy

Energy Efficiency and Conservation Block Grant – CFDA No. 81.128

The threshold for distinguishing Types A and B programs was \$300,000.00.

Auditee qualified as a low risk auditee?	_____	Yes	<u> X </u>	No
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II. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

CITY OF CHANUTE, KANSAS

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2011

December 31, 2010:

No Findings in the Prior Year Audit