

**CITY OF HIAWATHA, KANSAS**  
**FINANCIAL STATEMENTS**  
**Year ending December 31, 2011**

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City of Hiawatha, Kansas  
FINANCIAL STATEMENTS  
Year ending December 31, 2011

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## **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

Mayor and City Commission  
City of Hiawatha, Kansas

We have audited the accompanying financial statements of the City of Hiawatha, Kansas (the City), as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Audit Guide." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The primary government financial statements referred to above do not include the financial data of one of the component units of the City of Hiawatha, Kansas as of December 31, 2011.

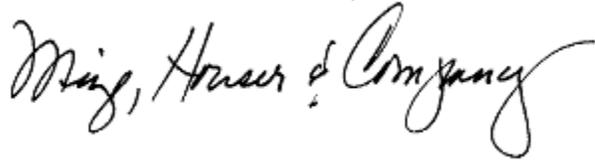
As described in Note 1, the City of Hiawatha, Kansas, prepares its financial statements on a basis of accounting prescribed by the State of Kansas which demonstrates compliance with the cash basis and budget laws of the State of Kansas which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of those differences is also described in Note 1.

In our opinion, because of the omission of the financial data of one, but not all, of the component units of the City of Hiawatha, Kansas, and, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hiawatha, Kansas, as of December 31, 2011, or the respective changes in financial position for the year then ended.

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Also, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the fund cash and unencumbered cash balances of the City of Hiawatha, Kansas, as of December 31, 2011, and its cash receipts and expenditures by fund, and fund budget to actual comparisons, for the year then ended, taken as a whole, on the prescribed basis of accounting described in Note 1.

A handwritten signature in cursive script that reads "Ming, Houser & Company". The signature is written in black ink and is positioned below the main body of text.

June 6, 2012

## STATEMENT 1

## City of Hiawatha, Kansas

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
For the Year Ended December 31, 2011

Funds	Beginning	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending	Add:	Ending Cash Balance
	Unencumbered Cash Balance				Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	
General	\$ 826,393	\$ -	\$ 1,299,279	\$ 1,305,477	\$ 820,195	\$ 9,587	\$ 829,782
Special Revenue Funds:							
Library	-	-	118,378	118,378	-	-	-
Industrial	98,935	-	216,686	149,737	165,884	-	165,884
Recreation	31,179	-	26,660	38,445	19,394	-	19,394
Employee Benefit	219,694	-	303,100	319,890	202,904	-	202,904
Special Highway	522,940	-	611,431	732,692	401,679	447	402,126
Parks and Recreation	36,980	-	9,784	14,784	31,980	-	31,980
Liability	500	-	-	-	500	-	500
Drug Forfeiture	55	-	525	580	-	-	-
History Center	550	-	15,291	14,880	961	-	961
Permanent Funds	10,956	-	112	178	10,890	-	10,890
Debt Service Fund	238,983	-	669,484	742,477	165,990	-	165,990
Capital Projects Funds							
Post Lantern Street							
Light Project	252,719	-	165,120	125,378	292,461	-	292,461
Other Capital Projects	14,470	-	995,229	618,722	390,977	28,389	419,366
Fiduciary Fund Types:							
Private Purpose Trusts	26,670	-	17,171	22,542	21,299	-	21,299
Enterprise Funds:							
Water	303,855	-	854,901	800,622	358,134	3,549	361,683
Water Improvement	54,174	-	-	54,174	-	-	-
Sewer	432,948	-	595,557	588,047	440,458	11,847	452,305
Storm Water Utility	56,826	-	80,432	35,651	101,607	-	101,607
Pool	128,021	-	118,419	92,669	153,771	130	153,901
Airport	55,824	-	8,275	4,796	59,303	145	59,448
Total Primary Government	3,312,672	-	6,105,834	5,780,119	3,638,387	54,094	3,692,481
Component Unit:							
Morrill Free Public Library	467,558	-	260,325	278,408	449,475	28	449,503
Total Reporting Entity	\$ 3,780,230	\$ -	\$ 6,366,159	\$ 6,058,527	\$ 4,087,862	\$ 54,122	\$ 4,141,984

## Composition of Cash:

## Morrill &amp; Janes Bank

Checking	\$ 2,863,437
Deposits in Transit	75
Outstanding Checks	[59,639]
Money Market	888,301
Library Savings	2,840
Library Checking	18,666
Library Certificates of Deposit	40,394
Library Investments	183,054
Petty Cash	1,600

## Citizens State Bank &amp; Trust

Library Checking	4,524
Library Investments	199,950
Library Petty Cash	75

## Subtotal

4,143,277

## Less: Agency Funds per Statement 5

[1,293]

## Total Reporting Entity

\$ 4,141,984

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

## City of Hiawatha, Kansas

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
 (BUDGETED FUNDS ONLY)  
 For the Year Ended December 31, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Positive [Negative]</u>
General	\$ 1,453,763	\$ -	\$ 1,453,763	\$ 1,305,477	\$ 148,286
Special Revenue Funds:					
Library	124,192	-	124,192	118,378	5,814
Industrial	172,425	-	172,425	149,737	22,688
Recreation	46,950	-	46,950	38,445	8,505
Employee Benefit	444,200	-	444,200	319,890	124,310
Special Highway	797,075	-	797,075	732,692	64,383
Parks and Recreation	15,000	-	15,000	14,784	216
Debt Service Fund	809,206	-	809,206	742,477	66,729
Post Lantern Street Light Project	125,378	-	125,378	125,378	-
Enterprise Funds:					
Water	853,142	-	853,142	800,622	52,520
Sewer	604,310	-	604,310	588,047	16,263
Storm Water Utility	78,900	-	78,900	35,651	43,249
Pool	110,525	-	110,525	92,669	17,856
Airport	6,250	-	6,250	4,796	1,454

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

## STATEMENT 3-1

## City of Hiawatha, Kansas

GENERAL FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Taxes	\$ 785,749	\$ 850,184	\$ [64,435]
Intergovernmental	20,400	-	20,400
Licenses and permits	24,656	10,000	14,656
Charges for services	23,878	40,000	[16,122]
Fines and fees	318,526	275,000	43,526
Use of money and property	88,749	-	88,749
Reimbursed expenses	23,251	9,000	14,251
Miscellaneous	<u>14,070</u>	<u>-</u>	<u>14,070</u>
Total Receipts	<u>1,299,279</u>	<u>\$ 1,184,184</u>	<u>\$ 115,095</u>
Expenditures and Transfers Subject to Budget			
General government	425,943	\$ 421,850	\$ [4,093]
Public safety	491,841	509,038	17,197
Highways and streets	69,190	81,850	12,660
Culture and recreation	93,816	165,825	72,009
Capital outlay	17,381	50,200	32,819
Miscellaneous	-	40,000	40,000
Transfers out	<u>207,306</u>	<u>185,000</u>	<u>[22,306]</u>
Total Expenditures and Transfers Subject to Budget	<u>1,305,477</u>	<u>\$ 1,453,763</u>	<u>\$ 148,286</u>
Receipts Over [Under] Expenditures	[6,198]		
Unencumbered Cash, Beginning	<u>826,393</u>		
Unencumbered Cash, Ending	<u>\$ 820,195</u>		

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

## City of Hiawatha, Kansas

LIBRARY FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Taxes	\$ 116,864	\$ 124,192	\$ [7,328]
Miscellaneous	<u>1,514</u>	<u>-</u>	<u>1,514</u>
Total Receipts	<u>118,378</u>	<u>\$ 124,192</u>	<u>\$ [5,814]</u>
Expenditures and Transfers Subject to Budget			
Appropriation - component unit	<u>118,378</u>	<u>\$ 124,192</u>	<u>\$ 5,814</u>
Total Expenditures and Transfers Subject to Budget	<u>118,378</u>	<u>\$ 124,192</u>	<u>\$ 5,814</u>
Receipts Over [Under] Expenditures	-		
Unencumbered Cash, Beginning	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>		

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

## STATEMENT 3-3

## City of Hiawatha, Kansas

INDUSTRIAL FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Taxes	\$ 213,986	\$ 133,614	\$ 80,372
Use of money and property	1	-	1
Transfers in	1,197	-	1,197
Reimbursed expenses	<u>1,502</u>	<u>-</u>	<u>1,502</u>
 Total Receipts	 <u>216,686</u>	 <u>\$ 133,614</u>	 <u>\$ 83,072</u>
 Expenditures			
Commodities	27,919	\$ 45,000	\$ 17,081
Contractual services	6,608	7,425	817
Capital outlay	210	5,000	4,790
Transfers out	<u>115,000</u>	<u>115,000</u>	<u>-</u>
 Total Expenditures	 <u>149,737</u>	 <u>\$ 172,425</u>	 <u>\$ 22,688</u>
 Receipts Over [Under] Expenditures	 66,949		
 Unencumbered Cash, Beginning	 <u>98,935</u>		
 Unencumbered Cash, Ending	 <u>\$ 165,884</u>		

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

## City of Hiawatha, Kansas

RECREATION FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts and Transfers			
Taxes	\$ 15,845	\$ 16,702	\$ [857]
Charges for services	9,987	10,000	[13]
Reimbursements	<u>828</u>	<u>1,000</u>	<u>[172]</u>
Total Cash Receipts and Transfers	<u>26,660</u>	<u>\$ 27,702</u>	<u>\$ [1,042]</u>
Expenditures			
Personal services	8,191	\$ 10,000	\$ 1,809
Contractual services	7,614	12,000	4,386
Commodities	11,640	13,950	2,310
Capital outlay	785	11,000	10,215
Transfers out	<u>10,215</u>	<u>-</u>	<u>[10,215]</u>
Total Expenditures	<u>38,445</u>	<u>\$ 46,950</u>	<u>\$ 8,505</u>
Receipts Over [Under] Expenditures	[11,785]		
Unencumbered Cash, Beginning	<u>31,179</u>		
Unencumbered Cash, Ending	<u>\$ 19,394</u>		

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

STATEMENT 3-5

City of Hiawatha, Kansas

EMPLOYEE BENEFIT FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Taxes	\$ 298,278	\$ 312,716	\$ [14,438]
Reimbursed expenses	<u>4,822</u>	<u>-</u>	<u>4,822</u>
Total Receipts	<u>303,100</u>	<u>\$ 312,716</u>	<u>\$ [9,616]</u>
Expenditures			
Social security	51,088	\$ 61,200	\$ 10,112
Retirement	46,042	62,000	15,958
Unemployment	953	5,000	4,047
Workman's compensation insurance	27,466	42,000	14,534
Health insurance	194,341	254,000	59,659
Miscellaneous	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Total Expenditures	<u>319,890</u>	<u>\$ 444,200</u>	<u>\$ 124,310</u>
Receipts Over [Under] Expenditures	[16,790]		
Unencumbered Cash, Beginning	<u>219,694</u>		
Unencumbered Cash, Ending	<u>\$ 202,904</u>		

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

## City of Hiawatha, Kansas

SPECIAL HIGHWAY FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Taxes	\$ 324,586	\$ 250,000	\$ 74,586
Intergovernmental	97,463	87,310	10,153
Reimbursed expenses	4,382	-	4,382
Transfers in	<u>185,000</u>	<u>185,000</u>	<u>-</u>
 Total Receipts	 <u>611,431</u>	 <u>\$ 522,310</u>	 <u>\$ 89,121</u>
 Expenditures			
Personal services	129,650	\$ 120,000	\$ [9,650]
Contractual services	32,782	82,225	49,443
Commodities	189,831	244,850	55,019
Capital outlay	19,429	350,000	330,571
Transfers out	<u>361,000</u>	<u>-</u>	<u>[361,000]</u>
 Total Expenditures	 <u>732,692</u>	 <u>\$ 797,075</u>	 <u>\$ 64,383</u>
 Receipts Over [Under] Expenditures	 [121,261]		
 Unencumbered Cash, Beginning	 <u>522,940</u>		
 Unencumbered Cash, Ending	 <u>\$ 401,679</u>		

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

STATEMENT 3-7

City of Hiawatha, Kansas

PARKS AND RECREATION FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Taxes	\$ 9,784	\$ 10,000	\$ [216]
Total Receipts	<u>9,784</u>	<u>\$ 10,000</u>	<u>\$ [216]</u>
Expenditures			
Capital outlay	5,592	\$ 15,000	\$ 9,408
Transfers out	<u>9,192</u>	<u>-</u>	<u>[9,192]</u>
Total Expenditures	<u>14,784</u>	<u>\$ 15,000</u>	<u>\$ 216</u>
Receipts Over [Under] Expenditures	[5,000]		
Unencumbered Cash, Beginning	<u>36,980</u>		
Unencumbered Cash, Ending	<u>\$ 31,980</u>		

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

## City of Hiawatha, Kansas

LIABILITY FUND\*  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 For the Year Ended December 31, 2011

Cash Receipts	
Miscellaneous	\$ <u>          -</u>
Total Receipts	<u>          -</u>
Expenditures	
General government	<u>          -</u>
Total Expenditures	<u>          -</u>
Receipts Over [Under] Expenditures	-
Unencumbered Cash, Beginning	<u>          500</u>
Unencumbered Cash, Ending	<u><u>          500</u></u>

\* This fund is not required to be budgeted.

STATEMENT 3-9

City of Hiawatha, Kansas

DRUG FORFEITURE FUND\*  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
For the Year Ended December 31, 2011

Cash Receipts	
Miscellaneous	<u>\$          525</u>
Total Receipts	<u>                  525</u>
Expenditures	
General government	<u>                  580</u>
Total Expenditures	<u>                  580</u>
Receipts Over [Under] Expenditures	[55]
Unencumbered Cash, Beginning	<u>                  55</u>
Unencumbered Cash, Ending	<u><u>                  \$          -</u></u>

\* This fund is not required to be budgeted.

## City of Hiawatha, Kansas

HISTORY CENTER FUND\*  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 For the Year Ended December 31, 2011

Cash Receipts	
Miscellaneous	<u>\$ 15,291</u>
Total Receipts	<u>15,291</u>
Expenditures	
General government	<u>14,880</u>
Total Expenditures	<u>14,880</u>
Receipts Over [Under] Expenditures	411
Unencumbered Cash, Beginning	<u>550</u>
Unencumbered Cash, Ending	<u><u>\$ 961</u></u>

\* This fund is not required to be budgeted.

## City of Hiawatha, Kansas

PERMANENT FUNDS\*  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 For the Year Ended December 31, 2011

	C.H. Janes Poor Memorial	G.A.R. Memorial	Morrissee Memorial	Daisy Hassenpflug Memorial	<u>Totals</u>
Cash Receipts and Transfers					
Use of money and property	\$ 49	\$ 21	\$ 29	\$ 13	\$ 112
Total Cash Receipts and Transfers	<u>49</u>	<u>21</u>	<u>29</u>	<u>13</u>	<u>112</u>
Expenditures					
Operating expenditures	<u>78</u>	<u>32</u>	<u>47</u>	<u>21</u>	<u>178</u>
Total Expenditures	<u>78</u>	<u>32</u>	<u>47</u>	<u>21</u>	<u>178</u>
Receipts Over [Under] Expenditures	[29]	[11]	[18]	[8]	[66]
Unencumbered Cash, Beginning	<u>4,803</u>	<u>1,968</u>	<u>2,867</u>	<u>1,318</u>	<u>10,956</u>
Unencumbered Cash, Ending	<u>\$ 4,774</u>	<u>\$ 1,957</u>	<u>\$ 2,849</u>	<u>\$ 1,310</u>	<u>\$ 10,890</u>

\* These funds are not required to be budgeted.

## City of Hiawatha, Kansas

DEBT SERVICE FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Taxes	\$ 197,818	\$ 205,965	\$ [8,147]
Reimbursed expenses	14,071	-	14,071
Transfers in	<u>457,595</u>	<u>457,602</u>	<u>[7]</u>
Total Receipts	<u>669,484</u>	<u>\$ 663,567</u>	<u>\$ 5,917</u>
Expenditures and Transfers Subject to Budget			
Principal	371,345	\$ 373,073	\$ 1,728
Interest and other charges	371,132	371,133	1
Reserves	<u>-</u>	<u>65,000</u>	<u>65,000</u>
Total Expenditures and Transfers Subject to Budget	<u>742,477</u>	<u>\$ 809,206</u>	<u>\$ 66,729</u>
Receipts Over [Under] Expenditures	[72,993]		
Unencumbered Cash, Beginning	<u>238,983</u>		
Unencumbered Cash, Ending	<u><u>\$ 165,990</u></u>		

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

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## City of Hiawatha, Kansas

POST LANTERN STREET LIGHT PROJECT FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Taxes	\$ 162,294	\$ 130,000	\$ 32,294
Use of money and property	<u>2,826</u>	<u>-</u>	<u>2,826</u>
Total Receipts	<u>165,120</u>	<u>\$ 130,000</u>	<u>\$ 35,120</u>
Expenditures			
Transfers out	<u>125,378</u>	<u>\$ 125,378</u>	<u>\$ -</u>
Total Expenditures	<u>125,378</u>	<u>\$ 125,378</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	39,742		
Unencumbered Cash, Beginning	<u>252,719</u>		
Unencumbered Cash, Ending	<u>\$ 292,461</u>		

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

## City of Hiawatha, Kansas

OTHER CAPITAL PROJECTS FUNDS\*  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 For the Year Ended December 31, 2011

	KDOT Street <u>Improvement</u>	Fisher <u>Building</u>	Skate <u>Park</u>
Cash Receipts			
Use of money and property	\$ -	\$ -	\$ -
Grant proceeds	-	-	-
Bond proceeds	-	-	-
Transfers in	<u>59,828</u>	<u>-</u>	<u>-</u>
Total Receipts	<u>59,828</u>	<u>-</u>	<u>-</u>
Expenditures			
Contractual services	-	-	467
Capital outlay	-	-	1,615
Bond issuance costs	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>2,082</u>
Receipts Over [Under] Expenditures	59,828	-	[2,082]
Unencumbered Cash, Beginning	<u>1,880</u>	<u>202</u>	<u>11,193</u>
Unencumbered Cash, Ending	<u>\$ 61,708</u>	<u>\$ 202</u>	<u>\$ 9,111</u>

\* These funds are not required to be budgeted.

<u>Economic Development</u>	<u>Waterline Project</u>	<u>Main Street Project</u>	<u>2011 Bond Project</u>	<u>Actual</u>
\$ 2	\$ -	\$ -	\$ -	\$ 2
-	-	5,014	25,238	30,252
-	-	-	400,000	400,000
-	<u>147,822</u>	<u>357,325</u>	-	<u>564,975</u>
<u>2</u>	<u>147,822</u>	<u>362,339</u>	<u>425,238</u>	<u>995,229</u>
-	-	-	-	467
-	11,480	77,967	516,871	607,933
-	-	-	9,125	9,125
<u>1,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,197</u>
<u>1,197</u>	<u>11,480</u>	<u>77,967</u>	<u>525,996</u>	<u>618,722</u>
[1,195]	136,342	284,372	[100,758]	376,507
<u>1,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,470</u>
<u>\$ -</u>	<u>\$ 136,342</u>	<u>\$ 284,372</u>	<u>\$ [100,758]</u>	<u>\$ 390,977</u>

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

## City of Hiawatha, Kansas

PRIVATE PURPOSE TRUST FUNDS\*  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
 For the Year Ended December 31, 2011

	Lake	Child Safety	Kiwanis	Bruning Memorial	Widman Memorial	Hockey Rink	Lake Bridge Donation	Totals
Cash Receipts								
Donations	\$ 1,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,030
Use of money and property	123	-	-	-	16	-	44	183
Transfers in	-	-	-	-	-	-	15,958	15,958
Total Cash Receipts and Transfers	<u>1,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>-</u>	<u>16,002</u>	<u>17,171</u>
Expenditures								
Commodities	-	58	-	-	-	-	-	58
Capital outlay	5,544	-	982	-	-	-	-	6,526
Transfers out	15,958	-	-	-	-	-	-	15,958
Total Expenditures	<u>21,502</u>	<u>58</u>	<u>982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,542</u>
Receipts Over [Under] Expenditures	[20,349]	[58]	[982]	-	16	-	16,002	[5,371]
Unencumbered Cash, Beginning	<u>20,607</u>	<u>1,816</u>	<u>1,038</u>	<u>542</u>	<u>1,537</u>	<u>1,130</u>	<u>-</u>	<u>26,670</u>
Unencumbered Cash, Ending	<u>\$ 258</u>	<u>\$ 1,758</u>	<u>\$ 56</u>	<u>\$ 542</u>	<u>\$ 1,553</u>	<u>\$ 1,130</u>	<u>\$ 16,002</u>	<u>\$ 21,299</u>

\* These funds are not required to be budgeted.

## City of Hiawatha, Kansas

WATER FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts and Transfers			
Charges for services	\$ 775,178	\$ 800,000	\$ [24,822]
Transfers in	54,174	-	54,174
Reimbursed expenses	<u>25,549</u>	<u>-</u>	<u>25,549</u>
 Total Cash Receipts and Transfers	 <u>854,901</u>	 <u>\$ 800,000</u>	 <u>\$ 54,901</u>
 Expenditures and Transfers Subject to Budget			
Personal services	250,867	\$ 270,115	\$ 19,248
Contractual services	120,293	174,110	53,817
Commodities	89,913	87,450	[2,463]
Capital outlay	44,510	174,250	129,740
Transfers out	<u>295,039</u>	<u>147,217</u>	<u>[147,822]</u>
 Total Expenditures and Transfers Subject to Budget	 <u>800,622</u>	 <u>\$ 853,142</u>	 <u>\$ 52,520</u>
 Receipts Over [Under] Expenditures	 54,279		
 Unencumbered Cash, Beginning	 <u>303,855</u>		
 Unencumbered Cash, Ending	 <u>\$ 358,134</u>		

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

STATEMENT 3-17

City of Hiawatha, Kansas

WATER IMPROVEMENT FUND\*  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
For the Year Ended December 31, 2011

Cash Receipts and Transfers	
Loan proceeds	\$ <u>          -</u>
Total Cash Receipts and Transfers	<u>                  -</u>
Expenditures and Transfers Subject to Budget	
Transfers out	<u>          54,174</u>
Total Expenditures and Transfers Subject to Budget	<u>          54,174</u>
Receipts Over [Under] Expenditures	[54,174]
Unencumbered Cash, Beginning	<u>          54,174</u>
Unencumbered Cash, Ending	<u><u>                  -</u></u>

\* This fund is not required to be budgeted.

## City of Hiawatha, Kansas

SEWER FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts and Transfers			
Charges for services	\$ 516,443	\$ 547,620	\$ [31,177]
Special assessments	4,319	-	4,319
Reimbursed expenses	20,069	5,000	15,069
Use of money and property	4,226	10,000	[5,774]
Miscellaneous	500	500	-
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Cash Receipts and Transfers	<u>595,557</u>	<u>\$ 613,120</u>	<u>\$ [17,563]</u>
Expenditures and Transfers Subject to Budget			
Personal services	137,734	\$ 141,300	\$ 3,566
Contractual services	240,508	229,750	[10,758]
Commodities	22,256	25,260	3,004
Capital outlay	7,549	28,000	20,451
Transfers out	<u>180,000</u>	<u>180,000</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>588,047</u>	<u>\$ 604,310</u>	<u>\$ 16,263</u>
Receipts Over [Under] Expenditures	7,510		
Unencumbered Cash, Beginning	<u>432,948</u>		
Unencumbered Cash, Ending	<u>\$ 440,458</u>		

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

## City of Hiawatha, Kansas

STORM WATER UTILITY FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts and Transfers			
Charges for services	\$ 80,432	\$ 84,144	\$ [3,712]
Total Cash Receipts and Transfers	<u>80,432</u>	<u>\$ 84,144</u>	<u>\$ [3,712]</u>
Expenditures and Transfers Subject to Budget			
Personal services	-	\$ 27,000	\$ 27,000
Contractual services	1,065	3,000	1,935
Commodities	9,586	18,900	9,314
Capital outlay	10,560	30,000	19,440
Transfers out	<u>14,440</u>	<u>-</u>	<u>[14,440]</u>
Total Expenditures and Transfers Subject to Budget	<u>35,651</u>	<u>\$ 78,900</u>	<u>\$ 43,249</u>
Receipts Over [Under] Expenditures	44,781		
Unencumbered Cash, Beginning	<u>56,826</u>		
Unencumbered Cash, Ending	<u>\$ 101,607</u>		

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

## City of Hiawatha, Kansas

## POOL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Charges for services	\$ 53,550	\$ 44,000	\$ 9,550
Reimbursed expenses	2,535	1,000	1,535
Use of money and property	2,161	-	2,161
Miscellaneous	173	-	173
Transfers in	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Total Receipts	<u>118,419</u>	<u>\$ 105,000</u>	<u>\$ 13,419</u>
Expenditures			
Personal services	52,434	\$ 61,755	\$ 9,321
Contractual services	17,082	16,250	[832]
Commodities	23,153	28,020	4,867
Capital outlay	<u>-</u>	<u>4,500</u>	<u>4,500</u>
Total Expenditures	<u>92,669</u>	<u>\$ 110,525</u>	<u>\$ 17,856</u>
Receipts Over [Under] Expenditures	25,750		
Unencumbered Cash, Beginning	<u>128,021</u>		
Unencumbered Cash, Ending	<u>\$ 153,771</u>		

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

STATEMENT 3-21

City of Hiawatha, Kansas

AIRPORT FUND  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cash Receipts			
Charges for services	\$ 8,275	\$ 5,000	\$ 3,275
Total Receipts	<u>8,275</u>	<u>\$ 5,000</u>	<u>\$ 3,275</u>
Expenditures			
Contractual services	<u>4,796</u>	\$ 6,250	\$ 1,454
Total Expenditures	<u>4,796</u>	<u>\$ 6,250</u>	<u>\$ 1,454</u>
Receipts Over [Under] Expenditures	3,479		
Unencumbered Cash, Beginning	<u>55,824</u>		
Unencumbered Cash, Ending	<u>\$ 59,303</u>		

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

## City of Hiawatha, Kansas

GENERAL FUND  
MORRILL FREE PUBLIC LIBRARY - COMPONENT UNIT  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
For the Year Ended December 31, 2011

Cash Receipts:	
State of Kansas	\$ 1,564
NEKL Association	19,800
City appropriation	118,378
Fines and fees	6,902
Gifts and donations	66,545
Interest and investment earnings	11,330
Farm income	32,715
Miscellaneous income	4,033
Gain/[Loss] of value on investments	<u>942]</u>
Total Cash Receipts	<u>260,325</u>
Expenditures:	
Salary and payroll taxes	155,199
Books, periodicals, videos and film	26,674
Supplies	6,701
Repairs and maintenance	24,197
Utilities	22,250
Insurance	6,040
Continuing education	1,990
Memorial and grant purchases/fees	7,196
Professional fees	7,530
Capital improvements	7,640
Miscellaneous and postage	<u>12,991</u>
Total Expenditures	<u>278,408</u>
Receipts Over [Under] Expenditures	[18,083]
Unencumbered Cash, Beginning	<u>467,558</u>
Unencumbered Cash, Ending	<u>\$ 449,475</u>

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

STATEMENT 5

City of Hiawatha, Kansas

AGENCY FUNDS  
 STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS  
 For the Year Ended December 31, 2011

<u>FUNDS</u>	Beginning Cash <u>Balance</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Ending Cash <u>Balance</u>
Sales Tax	\$ 286	\$ 14,715	\$ 13,708	\$ 1,293
Total Agency Funds	<u>\$ 286</u>	<u>\$ 14,715</u>	<u>\$ 13,708</u>	<u>\$ 1,293</u>

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

City of Hiawatha, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Hiawatha (the City) is a municipal corporation governed by a five-member commission. These financial statements present only the primary government of the City and the Morrill Free Public Library component unit. They exclude one of the component units for which the City is considered financially accountable:

The Housing Authority of the City of Hiawatha

Separate component unit financial statements may be obtained directly from the above.

Basis of Accounting

These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

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

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

The City has a waiver from accounting principles generally accepted in the United States of America, which allows the municipality to use the statutory basis of accounting.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's governmental funds are:

General Fund - to account for all unrestricted cash except that required to be accounted for in another fund. This is the principal operating fund of the City.

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

City of Hiawatha, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types

Permanent Funds - to account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Debt Service Fund - to account for the accumulation of cash for, and the payment of, principal, interest and other related costs of the City's general obligation bonds.

Capital Project Funds - to account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

Proprietary Fund Types

The proprietary funds are used to account for the City's activities which are similar to those often found in the private sector. The City's proprietary fund types are:

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

Fiduciary Fund Types

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

Trust and Agency Funds - to account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds.

Budgetary Information

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

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

The statutes allow for the city commission to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The 2011 budget was not amended.

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

City of Hiawatha, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

All legal annual operating budgets are prepared using the Kansas prescribed basis of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, agency funds, and certain special revenue funds.

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

NOTE 2 - LONG-TERM DEBT

*General Obligation Bonds.* The City issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

General Obligation Bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year. General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Issued</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance Due December 31, 2011</u>
General government	2002	5.30 - 5.50%	\$ 315,000	\$ 45,000
General government	2003	1.80 - 3.85%	195,000	40,000
General government and capital projects	2005B	2.90 - 4.50%	2,450,000	1,785,000
General government	2005C	2.90 - 4.50%	72,000	20,000
General government and capital projects	2006A	4.10 - 5.00%	1,025,000	905,000
General government and capital projects	2006B	3.60 - 4.00%	1,400,000	1,020,000
General government and capital projects	2011	1.75 - 3.75%	400,000	400,000
Sewer	2005A	4.25%	3,000,000	2,797,322
Sewer	2005D	4.25%	1,600,000	1,485,898
			<u>\$ 10,457,000</u>	<u>\$ 8,498,220</u>

City of Hiawatha, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2011

NOTE 2 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the general obligation bonds are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
2012	\$ 480,345	\$ 240,438
2013	432,076	240,438
2014	406,773	240,437
2015	411,978	240,437
2016	411,773	240,438
2017 - 2021	2,045,025	1,202,185
2022 - 2026	1,366,587	1,202,185
2027 - 2031	-	1,202,185
2032 - 2036	-	1,202,186
2037 - 2041	-	1,202,188
2042 - 2045	<u>-</u>	<u>961,748</u>
Total principal and interest	5,554,557	8,174,865
Less: Interest	<u>[1,339,557]</u>	<u>[3,891,645]</u>
Total principal	<u>\$ 4,215,000</u>	<u>\$ 4,283,220</u>

*State Agency Loans.* In 1997, the City arranged for a \$691,927 loan through the Kansas Water Pollution Control Revolving Loan Fund for improving the wastewater system in Hiawatha. The City was obligated to make semi-annual payments of \$15,565 from September 1, 1997 to February 28, 2000 and then semi-annual payments of \$24,774 from March 1, 2000 through March 1, 2017. These payments will include a gross interest rate of 3.38% plus a .25% service fee. At December 31, 2011, the outstanding principal balance was \$144,509. In 2003, the City arranged for a \$1,374,044 loan through the Kansas Water Public Water Supply Loan Fund for improving the water system in Hiawatha. In 2007, the amount of the loan was changed to \$702,736. The City is obligated to make semi-annual payments of \$50,282 from August 1, 2004 through February 1, 2007 and the semi-annual payments of \$18,608 from August 1, 2007 through August 1, 2024. These payments will include a gross interest rate of 4.08% plus a .35% service fee. At December 31, 2011, the outstanding principal balance was \$361,598.

City of Hiawatha, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2011

NOTE 2 - LONG-TERM DEBT (Continued)

*State Agency Loans* (Continued). The following displays annual debt service requirements to maturity for loans payable to be paid from service revenues, for the full proceeds amount:

	Year Ending December 31,	
	2012	\$ 66,230
	2013	66,230
	2014	66,230
	2015	66,230
	2016	66,230
	2017 - 2021	200,590
	2022 - 2024	<u>93,040</u>
Total principal and interest		624,780
Less: interest and fees		<u>[118,673]</u>
Total principal		<u>\$ 506,107</u>

*Changes in General Long-term Liabilities.* During the year ended December 31, 2011, the following changes occurred in long-term debt:

	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2011</u>
General obligation debt - Governmental funds	\$ 4,085,000	\$ 400,000	\$ 270,000	\$ 4,215,000
General obligation debt - Enterprise funds	4,339,240	-	56,020	4,283,220
State agency loans	<u>551,432</u>	<u>-</u>	<u>45,325</u>	<u>506,107</u>
Totals	<u>\$ 8,975,672</u>	<u>\$ 400,000</u>	<u>\$ 371,345</u>	<u>\$ 9,004,327</u>

*Special Assessments.* As provided by Kansas statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Debt Service Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service Fund. The special assessment debt is a contingent liability of the City to the extent of property owner defaults which have historically been immaterial.

City of Hiawatha, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2011

NOTE 2 - LONG-TERM DEBT (Continued)

*Conduit Debt Obligations.* From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

Neither the City, the State of Kansas, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2011, there was six series of Industrial Revenue bonds outstanding, with an aggregate original principal amount payable of \$14,795,000.

NOTE 3 - DEPOSITS

The City's cash is considered to be active funds by management and is deposited according to KSA 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county in which the City is located or in a county adjacent to the City and the banks provide an acceptable rate for active funds.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk require that the depository banks will maintain 100% security in the form of FDIC coverage and pledged collateral according to KSA 9-1402. The Kansas State Treasurer's Fiscal Agency Department held an unsecured and uncollateralized deposit of \$19,880.

KSA 12-1225(h) authorizes library boards to invest or reinvest gifts and donations and any dividends, interest, rent, or income derived from the gifts in the manner the board deems will best serve the interest of the library. The Morrill Free Public Library had the following unsecured investments from gifts and donations at December 31, 2011.

<u>Investment Type</u>	<u>Fair Value</u>
Citizens State Bank & Trust	
Bond Funds	\$ 181,610
Cash & Cash Equivalents	13,623
Other Investments	4,717
Morrill & Janes Bank	
Stocks & Mutual Funds	176,215
Cash & Cash Equivalents	<u>6,839</u>
 Total	 <u>\$ 383,004</u>

NOTE 4 - RETIREMENT PLAN

*Plan description* - The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to KPERS (611 South Kansas Avenue, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

City of Hiawatha, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2011

NOTE 4 - RETIREMENT PLAN (Continued)

*Funding Policy* - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate of up to 6% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate was 7.74% from January 1 to March 31, 2011, 6.74% from April 1, 2011 to June 30, 2011 and 7.74% from July 1, 2011 to December 31, 2011. The City employer contributions to KPERS for the year ended December 31, 2011, 2010, and 2009 were \$64,680, \$62,224, and \$52,774, respectively.

NOTE 5 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. No significant reductions in insurance coverage from that of the prior year have occurred. Settlements have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 - COMPENSATED ABSENCES

It is the City's policy to pay employees' accrued vacation pay upon termination of employment. As of December 31, 2011, the liability for earned vacation pay was \$33,489.

NOTE 7 – CAPITAL LEASES OF EQUIPMENT

The City has entered into lease agreements as lessee for financing the acquisition of equipment.

During the year ended December 31, 2011, the following changes occurred in capital leases:

	January 1, <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	December 31, <u>2011</u>
Capital lease obligations -				
Governmental funds	\$ 14,312	\$ -	\$ 14,312	\$ -
Totals	<u>\$ 14,312</u>	<u>\$ -</u>	<u>\$ 14,312</u>	<u>\$ -</u>

NOTE 8 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

City of Hiawatha, Kansas

NOTES TO THE FINANCIAL STATEMENTS  
Year ended December 31, 2011

NOTE 9 - INTERFUND TRANSFERS

A reconciliation of transfers by fund type for 2011 follows:

Fund	In	Out
General Fund	\$ -	\$ 207,306
Industrial Fund	1,197	115,000
Recreation Fund	-	10,215
Special Highway Fund	185,000	361,000
Parks and Recreation Fund	-	9,192
Debt Service Fund	457,595	-
Post Lantern Street Light Project Fund	-	125,378
Other Capital Project Funds	564,975	1,197
Private Purpose Trust Funds	15,958	15,958
Water Fund	54,174	295,039
Water Improvement Fund	-	54,174
Sewer Fund	50,000	180,000
Storm Water Utility Fund	-	14,440
Pool Fund	60,000	-
Total	<u>\$ 1,388,899</u>	<u>\$ 1,388,899</u>

NOTE 10 - OTHER INFORMATION

On May 1, 2006 the City entered into a lease agreement between the Hiawatha Foundation for Economic Development, Inc. (HFED) and Hemisphere GPS, LLC. Certain terms of the lease were amended December 6, 2010. The City paid \$749,434 to HFED and HFED subsequently purchased the former Wal-Mart building for Hemisphere GPS to use as a marketing, distribution, and/or packaging business. Under the terms of the lease, Hemisphere was to make \$120,000 lease payments for five years, provided, however, that Hemisphere was not to be liable to the City or to HFED for a portion or all of the lease payment for lease years in which Hemisphere employed full time equivalent employees (FTE's) according to specified lease terms. During 2010, Hemisphere did not meet the FTE requirements and, subsequently, was required to make a \$48,000 lease payment to the City in January, 2011. Additionally, under the terms of the lease, Hemisphere was to have the option of purchasing the property at the end of the lease. The purchase price was to be dependent on FTE requirements and had a minimum purchase price of one dollar and a maximum purchase price of \$1,116,700. Hemisphere exercised its option to purchase the property in February, 2011 for the minimum purchase price of one dollar.

NOTE 11 - SUBSEQUENT EVENT

On March 15, 2012, the City issued Series 2012 general obligation utility refunding bonds in the amount of \$1,265,000. The City will make the first payment on August 1, 2012, and the last payment on August 1, 2026. The interest rate on the bonds ranges from 1.1% to 2.75%. The bond proceeds will be used to refund the remaining balance on the Kansas Water Public Water Supply Loan and \$795,000 of the Series 2006A general obligation bonds.