

CITY OF ROSE HILL, KANSAS
Rose Hill, Kansas

Financial Statements
December 31, 2011

with
Independent Auditors' Report

CITY OF ROSE HILL, KANSAS
Financial Statements
December 31, 2011

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INDEPENDENT AUDITORS' REPORT

The Mayor and City Council
City of Rose Hill, Kansas

We have audited the accompanying financial statements of the individual funds of the City of Rose Hill, Kansas, as of and for the year ended December 31, 2011 as listed in the table of contents. These financial statements are the responsibility of the management of the City of Rose Hill, Kansas. 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 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.

As discussed in Note 1, the City's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each of the various funds of the City of Rose Hill, Kansas, as of December 31, 2011, and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the City Council and management of the City of Rose Hill, Kansas and for filing with the Kansas Department of Administration, Division of Accounts and Reports and should not be used for any other purpose.

March 20, 2012

Peterson Peterson & Goss, LC

CITY OF ROSE HILL, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
Governmental Funds:						
General	\$ 310,847	\$ 1,277,239	\$ 1,141,605	\$ 446,481	\$ 8,000	\$ 454,481
Special Revenue Funds:						
Employee Benefit	57,543	291,598	262,239	86,902		86,902
Library	-	87,236	87,236	-		-
Special Street and Highway	67,966	123,938	128,118	63,786		63,786
Special Parks and Recreation	7,107	1,190	4,000	4,297	4,000	8,297
Equipment Reserve	42,021	5,000	-	47,021		47,021
Capital Improvement Reserve	37,948	5,000	20,000	22,948		22,948
Historical Building	70	-	70	-		-
Police Computer Grant	18	843	615	246		246
Street Sales Tax	345,509	311,123	68,669	587,963		587,963
Capital Projects	375,454	1,448,830	2,098,087	(273,803)	207,196	(66,607)
Debt Service Fund:						
Bond and Interest	99,530	812,342	841,134	70,738		70,738
Proprietary Funds:						
Water Utility:						
Water Utility Operating	300,901	791,800	740,914	351,787		351,787
Water Utility Revenue Bond Reserve	162,500	-	162,500	-		-
Water Utility Depreciation and Replacement	50,000	-	50,000	-		-
Water Utility Reserve	89,145	125,000	97,223	116,922	80,000	196,922
Total Water Utility	602,546	916,800	1,050,637	468,709	80,000	548,709
Sewer Utility:						
Sewer Utility Operating	801,934	1,091,076	1,046,481	846,529		846,529
Sewer Utility Reserve	106,137	25,000	10,843	120,294		120,294
Waste Water Treatment Facility	(65,033)	62,833	-	(2,200)	-	(2,200)
Total Sewer Utility	843,038	1,178,909	1,057,324	964,623	-	964,623
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 2,789,597</u>	<u>\$ 6,460,048</u>	<u>\$ 6,759,734</u>	<u>\$ 2,489,911</u>	<u>\$ 299,196</u>	<u>\$ 2,789,107</u>

Composition of Cash:

Rose Hill Bank:		
Checking Accounts		\$ 1,923,837
Certificate of Deposit		574,005
Emprise Bank:		
Certificate of Deposit		321,733
Petty Cash		640
Total Cash		<u>2,820,215</u>
Agency Funds per Statement 4		(31,108)
Total Reporting Entity (Excluding Agency Funds)		<u>\$ 2,789,107</u>

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

CITY OF ROSE HILL, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2011

Funds	Certified Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General	\$ 1,206,170	\$ 1,141,605	\$ 64,565
Special revenue:			
Employee Benefit	312,650	262,239	50,411
Library	95,089	87,236	7,853
Special Street and Highway	147,000	128,118	18,882
Debt Service:			
Bond and Interest	883,135	841,134	42,001
Proprietary:			
Water Utility Operating	806,000	740,914	65,086
Sewer Utility Operating	1,055,200	1,046,481	8,719

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
For the Year Ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property tax	\$ 616,705	\$ 623,385	\$ 6,680
Delinquent tax	5,000	13,196	8,196
Motor vehicle tax	100,038	103,025	2,987
Liquor tax	1,205	1,190	(15)
Franchise fees	170,000	207,603	37,603
Court costs	8,500	8,917	417
Licenses, permits and fees	25,000	117,873	92,873
Fines, forfeitures and penalties	39,000	48,951	9,951
Project inspection	2,500	-	(2,500)
Rents	22,000	23,608	1,608
Interest	13,000	7,187	(5,813)
Other	2,500	1,508	(992)
Reimbursed expense, etc.	52,960	84,051	31,091
E911 reimbursed from AT&T	6,500	6,745	245
Transfers from:			
Water Utility Operating Fund	10,000	10,000	-
Sewer Utility Operating Fund	20,000	20,000	-
Total Cash Receipts	<u>1,094,908</u>	<u>1,277,239</u>	<u>182,331</u>
Expenditures:			
General administration	316,920	301,779	15,141
Police	567,500	531,643	35,857
Streets	69,500	55,754	13,746
Parks	140,850	140,738	112
Planning	36,900	35,984	916
Other	64,500	65,707	(1,207)
Transfer to:			
Equipment Reserve Fund	5,000	5,000	-
Capital Improvement Reserve Fund	5,000	5,000	-
Total Expenditures	<u>1,206,170</u>	<u>1,141,605</u>	<u>64,565</u>
Receipts Over (Under) Expenditures	(111,262)	135,634	246,896
Unencumbered Cash, Beginning	<u>111,262</u>	<u>310,847</u>	<u>199,585</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 446,481</u>	<u>\$ 446,481</u>

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Employee Benefit Fund
For the Year Ended December 31, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property tax	\$ 232,984	\$ 235,512	\$ 2,528
Delinquent tax	-	4,709	4,709
Motor vehicle tax	32,039	33,296	1,257
Other	3,000	18,081	15,081
Total Cash Receipts	268,023	291,598	23,575
Expenditures:			
Social security	59,500	54,114	5,386
Unemployment	1,250	765	485
KPERS	50,900	52,868	(1,968)
Worker compensation insurance	23,000	15,189	7,811
Insurance	160,000	136,903	23,097
Other	18,000	2,400	15,600
Total Expenditures	312,650	262,239	50,411
Receipts Over (Under) Expenditures	(44,627)	29,359	73,986
Unencumbered Cash, Beginning	44,627	57,543	12,916
Unencumbered Cash, Ending	\$ -	\$ 86,902	\$ 86,902

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Library Fund
For the Year Ended December 31, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property tax	\$ 71,137	\$ 71,911	\$ 774
Delinquent tax	-	1,557	1,557
Motor vehicle tax	11,377	11,758	381
Other	11,220	2,010	(9,210)
Total Cash Receipts	93,734	87,236	(6,498)
Expenditures:			
Appropriation to Rose Hill Public Library	-	87,236	(87,236)
Personnel services	46,811	-	46,811
Contractual services	24,550	-	24,550
Commodities	8,600	-	8,600
Capital outlay	15,128	-	15,128
Total Expenditures	95,089	87,236	7,853
Receipts Over (Under) Expenditures	(1,355)	-	1,355
Unencumbered Cash, Beginning	1,355	-	(1,355)
Unencumbered Cash, Ending	\$ -	\$ -	\$ -

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Special Street and Highway Fund
For the Year Ended December 31, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and Shared Revenue:			
County gas tax	\$ 15,585	\$ 19,271	\$ 3,686
State gas tax	109,700	104,667	(5,033)
Other	200	-	(200)
Total Cash Receipts	125,485	123,938	(1,547)
Expenditures:			
Personnel services	59,000	51,073	7,927
Commodities	34,000	35,821	(1,821)
Contractual services	34,000	24,767	9,233
Capital outlay	20,000	16,457	3,543
Total Expenditures	147,000	128,118	18,882
Receipts Over (Under) Expenditures	(21,515)	(4,180)	17,335
Unencumbered Cash, Beginning	34,591	67,966	33,375
Unencumbered Cash, Ending	\$ 13,076	\$ 63,786	\$ 50,710

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Special Parks and Recreation Fund
For the Year Ended December 31, 2011

Cash Receipts:	
State of Kansas - liquor tax	\$ 1,190
Expenditures:	
Capital outlay	<u>4,000</u>
Receipts Over (Under) Expenditures	(2,810)
Unencumbered Cash, Beginning	<u>7,107</u>
Unencumbered Cash, Ending	<u>\$ 4,297</u>

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Equipment Reserve Fund
For the Year Ended December 31, 2011

Cash Receipts:	
Transfer from General Fund	<u>\$ 5,000</u>
Receipts Over (Under) Expenditures	5,000
Unencumbered Cash, Beginning	<u>42,021</u>
Unencumbered Cash, Ending	<u><u>\$ 47,021</u></u>

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Capital Improvement Reserve Fund
For the Year Ended December 31, 2011

Cash Receipts:	
Transfer from General Fund	\$ 5,000
Expenditures:	
Capital outlay	<u>20,000</u>
Receipts Over (Under) Expenditures	(15,000)
Unencumbered Cash, Beginning	<u>37,948</u>
Unencumbered Cash, Ending	<u>\$ 22,948</u>

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Historical Building Fund
For the Year Ended December 31, 2011

Expenditures:	
Principal payment	\$ 70
Receipts Over (Under) Expenditures	(70)
Unencumbered Cash, Beginning	70
Unencumbered Cash, Ending	<u>\$ -</u>

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Police Computer Grant Fund
For the Year Ended December 31, 2011

Cash Receipts:	
Grant awards - federal	\$ 843
Expenditures:	
Capital outlay	<u> 615</u>
Receipts Over (Under) Expenditures	228
Unencumbered Cash, Beginning	<u> 18</u>
Unencumbered Cash, Ending	<u><u> \$ 246</u></u>

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Street Sales Tax Fund
For the Year Ended December 31, 2011

Cash Receipts:	
Sales tax - state	\$ 310,620
Residual equity transfer from capital projects - East Silkknitter Street Project	503
Total Cash Receipts	<u>311,123</u>
Expenditures:	
Street repairs	\$ 65,990
Residual equity to capital projects - Cox Street Acres	2,679
Total Expenditures	<u>68,669</u>
Receipts Over (Under) Expenditures	242,454
Unencumbered Cash, Beginning	<u>345,509</u>
Unencumbered Cash, Ending	<u><u>\$ 587,963</u></u>

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Capital Projects Fund
For the Year Ended December 31, 2011

	Sewer Lift Upgrades	Arterial Street Improvements	Sunrise Addition	East Silknitter Street Project	Cox Acres Street Project	Berlin Drainage Project	Strode Force Main Project	Insurance Proceeds	Total
Cash Receipts:									
Transfers	\$ -	\$ -	\$ -	\$ -	\$ 2,679	\$ -	\$ -	\$ -	\$ 2,679
EPA grant	-	-	-	-	-	360,721	-	-	360,721
Bond proceeds	-	-	-	-	575,830	-	252,516	210,783	1,039,129
Prepaid specials and deposit	-	-	-	-	46,301	-	-	-	46,301
Total Cash Receipts	-	-	-	-	624,810	360,721	252,516	210,783	1,448,830
Expenditures:									
Construction and engineering	4,423	70,482	66,260	-	24,812	858,662	255,210	49,914	1,329,763
Residual equity transfer	-	-	-	503	-	-	-	-	503
Transfer to Bond and Interest	-	-	-	-	-	-	-	-	-
Principal payments - note and loan	-	99,964	-	-	605,000	-	-	-	704,964
Interest payments - note and loan	-	53,345	-	-	9,512	-	-	-	62,857
Total Expenditures	4,423	223,791	66,260	503	639,324	858,662	255,210	49,914	2,098,087
Receipts Over (Under) Expenditures	(4,423)	(223,791)	(66,260)	(503)	(14,514)	(497,941)	(2,694)	160,869	(649,257)
Unencumbered Cash, Beginning	4,423	357,081	(1,067)	503	14,514	-	-	-	375,454
Unencumbered Cash, Ending	\$ -	\$ 133,290	\$ (67,327)	\$ -	\$ -	\$ (497,941)	\$ (2,694)	\$ 160,869	\$ (273,803) *

* - Capital construction fund not subject to cash basis law

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Bond and Interest Fund
For the Year Ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property tax	\$ 93,113	\$ 94,112	\$ 999
Delinquent tax	-	2,618	2,618
Motor vehicle tax	17,173	18,015	842
Special assessments	450,000	454,804	4,804
Interest	5,000	3,793	(1,207)
Other	-	4,000	4,000
Transfers from:			
Water Utility Operating Fund	168,000	158,000	(10,000)
Sewer Utility Operating Fund	77,000	77,000	-
Total Cash Receipts	<u>810,286</u>	<u>812,342</u>	<u>2,056</u>
Expenditures:			
Principal payments	559,559	504,559	55,000
Principal payments - PBC	-	55,000	(55,000)
Additional debt reduction	15,000	4,000	11,000
Interest expense	273,576	226,606	46,970
Interest expense - PBC	-	47,085	(47,085)
Fiscal fees and commissions	20,000	-	20,000
Other	15,000	3,884	11,116
Total Expenditures	<u>883,135</u>	<u>841,134</u>	<u>42,001</u>
Receipts Over (Under) Expenditures	(72,849)	(28,792)	44,057
Unencumbered Cash, Beginning	<u>72,849</u>	<u>99,530</u>	<u>26,681</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 70,738</u>	<u>\$ 70,738</u>

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Water Utility Operating Fund
For the Year Ended December 31, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Charges for services	\$ 643,000	\$ 690,043	\$ 47,043
Connection fees	7,500	3,820	(3,680)
Interest	8,000	4,105	(3,895)
Other	-	6,332	6,332
Transfer from Water Utility Revenue Bond Fund	87,500	87,500	-
Total Cash Receipts	746,000	791,800	45,800
Expenditures:			
Personnel services	246,400	215,521	30,879
Commodities	42,375	53,159	(10,784)
Contractual services	125,475	65,103	60,372
Professional division	6,250	3,522	2,728
Capital outlay	7,500	2,713	4,787
Water purchases	200,000	232,896	(32,896)
Transfer to:			
Bond and Interest Fund	168,000	158,000	10,000
General Fund	10,000	10,000	-
Total Expenditures	806,000	740,914	65,086
Receipts Over (Under) Expenditures	(60,000)	50,886	110,886
Unencumbered Cash, Beginning	240,609	300,901	60,292
Unencumbered Cash, Ending	\$ 180,609	\$ 351,787	\$ 171,178

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Water Utility Revenue Bond Reserve Fund
For the Year Ended December 31, 2011

Expenditures:	
Transfer to Water Utility Fund	\$ 87,500
Transfer to Water Utility Reserve Fund	75,000
Total Expenditures	<u>162,500</u>
Receipts Over (Under) Expenditures	(162,500)
Unencumbered Cash, Beginning	<u>\$ 162,500</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Water Utility Depreciation and Replacement Fund
For the Year Ended December 31, 2011

Expenditures:

Transfer to Water Utility Reserve Fund	<u>\$ 50,000</u>
Receipts Over (Under) Expenditures	(50,000)
Unencumbered Cash, Beginning	<u>50,000</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Water Utility Reserve Fund
For the Year Ended December 31, 2011

Cash Receipts:

Transfer from Water Utility Revenue Bond Reserve Fund	\$ 75,000
Transfer from Water Utility Depreciation and Replacement Fund	50,000
Total Cash Receipts	<u>125,000</u>

Expenditures:

Capital outlay	<u>97,223</u>
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Receipts Over (Under) Expenditures 27,777

Unencumbered Cash, Beginning 89,145

Unencumbered Cash, Ending \$ 116,922

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Sewer Utility Operating Fund
For the Year Ended December 31, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Charges for services	\$ 547,000	\$ 558,423	\$ 11,423
Sewer system improvement fee	504,000	518,412	14,412
Connection fees	5,000	4,600	(400)
Interest	11,000	8,718	(2,282)
Reimbursed expense	-	923	923
Total Cash Receipts	1,067,000	1,091,076	24,076
Expenditures:			
Personnel services	212,100	212,349	(249)
Commodities	33,500	120,106	(86,606)
Contractual services	177,300	76,780	100,520
Professional division	37,700	9,499	28,201
Capital outlay		11,663	(11,663)
Debt service	472,600	494,084 *	(21,484)
Transfer to:			
Bond and Interest Fund	77,000	77,000	-
Sewer Utility Reserve Fund	25,000	25,000	-
General Fund	20,000	20,000	-
Total Expenditures	1,055,200	1,046,481	8,719
Receipts Over (Under) Expenditures	11,800	44,595	32,795
Unencumbered Cash, Beginning	749,844	801,934	52,090
Unencumbered Cash, Ending	\$ 761,644	\$ 846,529	\$ 84,885

* Principal	321,564
Interest	172,520
Total	\$ 494,084

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Sewer Utility Reserve Fund
For the Year Ended December 31, 2011

Cash Receipts:	
Transfer from Sewer Utility Operating Fund	\$ 25,000
Expenditures:	
Capital outlay	<u>10,843</u>
Receipts Over (Under) Expenditures	14,157
Unencumbered Cash, Beginning	<u>106,137</u>
Unencumbered Cash, Ending	<u><u>\$ 120,294</u></u>

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Waste Water Treatment Facility Fund
For the Year Ended December 31, 2011

Cash Receipts:	
KDHE Loan Funds	<u>\$ 62,833</u>
Receipts Over (Under) Expenditures	62,833
Unencumbered Cash, Beginning	<u>(65,033)</u>
Unencumbered Cash, Ending	<u><u>\$ (2,200) *</u></u>

* - Capital construction fund not subject to cash basis law

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

CITY OF ROSE HILL, KANSAS
Statement of Cash Receipts and Disbursements
Agency Funds
For the Year Ended December 31, 2011

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Customer meter deposits	\$ 12,204	\$ 3,850	\$ 3,550	\$ 12,504
Payroll withholding	1,582	176,315	169,904	7,993
ADSAP Court	2,015	-	-	2,015
Community Policing	6,371	1,047	2,551	4,867
Veterans Memorial	3,034	695	-	3,729
Total	<u>\$ 25,206</u>	<u>\$ 181,907</u>	<u>\$ 176,005</u>	<u>\$ 31,108</u>

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

CITY OF ROSE HILL, KANSAS
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of the City of Rose Hill, Kansas (the City) is presented to assist in understanding the City's financial statements. The financial statements and notes are representations of the City's management, who is responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Reporting Entity

The City of Rose Hill is a municipal corporation governed by an elected five-member council. These financial statements present the City of Rose Hill (the primary government). A component unit, The Public Building Commission, is not included in these financials since its operations are not material in respect to the operations of the City as a whole. The Rose Hill Public Library, a component unit of the City of Rose Hill, is presented in a separate audit report. The Library taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. Acquisition or disposition of real property must have the approval of the City Council.

Basis of Presentation

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City of Rose Hill, Kansas for the year 2011:

Governmental Funds:

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

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

Capital Projects Fund - to account for financial resources segregated for the acquisition of major capital facilities (other than those financed by Enterprise Funds).

CITY OF ROSE HILL, KANSAS
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

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

Proprietary Funds:

Enterprise Funds - to account for operations that are financed and operated in a manner similar to a private business enterprise, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City operates the sewer utility and the water utility.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. 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 waiver from generally accepted accounting principles, allowed by the State of Kansas, which permits the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

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 generally accepted accounting principles, 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 City are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

CITY OF ROSE HILL, KANSAS

Notes to Financial Statements

December 31, 2011

2. Budget and Tax Cycle

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 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

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. There were no such budget amendments for this year.

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

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, certain special revenue funds and certain proprietary bond 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.

CITY OF ROSE HILL, KANSAS
Notes to Financial Statements
December 31, 2011

3. Defined Benefit Pension Plan

Plan Description

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

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% (Tier 1) and 6% (Tier 2) 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 is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statutes for 1/1/11 to 12/31/11 is 7.74%. The City of Rose Hill employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$79,785, \$67,943, and \$48,720, respectively, equal to the required contributions for each year.

4. Special Assessments

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 the bonds are recorded as revenue in the appropriate project account. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service Fund.

5. Capital Projects

At year-end, capital project authorizations, with approved change orders, compared with expenditures from inception are as follows:

<u>Current Projects</u>	<u>Project Authorization</u>	<u>Expenditures to Date</u>
Waste Water Treatment Facility	\$8,189,400	\$7,694,380
Sunrise Addition	1,232,000	67,327
Berlin Drainage Project	935,801	858,662
Strode Force Main	396,750	255,210

CITY OF ROSE HILL, KANSAS
Notes to Financial Statements
December 31, 2011

6. Temporary Notes

Upon authorization for the issuance of general obligation bonds for certain improvements, Kansas law permits the temporary financing of such improvements by the issuance of temporary notes. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance. Temporary notes outstanding are retired from proceeds received from the sale of general obligation bonds.

7. Compensated Absences

All employees of the City, except temporary and part-time employees, accumulate vacation leave at a rate of 6.67 hours per month during their first five years of employment. The rate of accumulation increases to 8 hours per month after five years of employment, 10 hours per month after ten years of employment, and 12 hours per month after fifteen years of employment. An employee can carry over to a new year only that amount of vacation leave that was accumulated during the year. Employees are paid for all accumulated vacation leave, at their current wage rate, upon termination of employment. All employees except temporary and part-time employees accumulate sick leave at a rate of 8 hours per month. Sick leave can be accumulated up to 720 hours. Sick leave is paid out upon termination, with two weeks notice, at the rate of one-fourth, up to 50 hours of credited sick leave for employees with at least two years of service. Upon retirement, with six months notice and five years of service, one-half, up to 100 hours of credited sick leave, will be paid out. The cost of accumulated vacation and sick leave are recorded in the financial statements at the time payments are made to employees. The estimated liability at December 31, 2011 if all employees with accumulated vacation and sick leave were to terminate employment would be \$63,644.

8. Deposits

At year-end the carrying amounts of the City's deposits including certificates of deposit, were \$2,820,215. The bank statement balances were \$2,942,599. The differences between the carrying amounts and the bank balances were outstanding checks. Of the bank balances, \$500,000 was covered by FDIC insurance and \$2,442,599 was collateralized by pledged securities held under joint custody receipts issued by third party banks in the City's name. The third party bank holding the pledged securities are independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the City, the pledging bank and the independent third-party bank holding the pledged securities.

CITY OF ROSE HILL, KANSAS
Notes to Financial Statements
December 31, 2011

9. Compliance with Kansas Statutes

Management is aware of no statutory violations for the year ended December 31, 2011.

10. Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Capital Improvement Reserve Fund	\$ 5,000
General Fund	Equipment Reserve Fund	5,000
Water Utility Operating Fund	General Fund	10,000
Water Utility Operating Fund	Bond and Interest Fund	158,000
Sewer Utility Operating Fund	General Fund	20,000
Sewer Utility Operating Fund	Bond and Interest Fund	77,000
Sewer Utility Operating Fund	Sewer Utility Reserve Fund	25,000
Water Utility Revenue Bond Reserve Fund	Water Utility Reserve Fund	75,000
Water Utility Revenue Bond Reserve Fund	Water Utility Operating Fund	87,500
Water Utility Depreciation and Replacement Fund	Water Utility Reserve Fund	50,000

Residual equity transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
Capital Projects – East Silknitter	Street Sales Tax Fund	\$ 503
Street Sales Tax Fund	Capital Projects – Cox Acres	2,679

11. Operating Leases

The City leases a postage machine from Pitney Bowes at a cost of \$70 per month.

The City receives monthly payments of \$2,095 for a water tower lease.

The City receives an annual payment of \$637 for property it owns and leases for agricultural purposes.

12. Water Utility

All water sold is purchased from the City of Wichita, Kansas under contract.

CITY OF ROSE HILL, KANSAS
Notes to Financial Statements
December 31, 2011

13. Risk Management

The City manages risk primarily through the purchase of insurance coverage from commercial insurers.

14. Public Building Commission

The City is acting as trustee for funds of The Public Building Commission (PBC). The Commission is a component unit of the City and is a municipal corporation organized pursuant to K.S.A. 12-1757 et seq. The component unit is not required to be audited under Kansas law.

The PBC constructed the new City Hall/Police Department building in 2003, using the proceeds of PBC revenue bonds in the amount of \$1,315,000. The bonds and interest are payable in annual and semi-annual installments beginning in 2004, with final maturities due in the year 2023. The City is leasing the building/facilities with annual payments that equal the bond and interest maturities of the PBC revenue bonds. The PBC has no other operations at the present time.

As of December 31, 2011, the principal amount payable was \$925,000.

15. Subsequent Events

Subsequent events have been evaluated through March 20, 2012, which is the date the financial statements were available to be issued. Events requiring disclosure were identified and disclosed.

16. Long-Term Debt

Changes in long-term liabilities for the City for the year ended December 31, 2011 along with current maturities of long-term debt and interest for the next five years and in five-year increments through maturity are as follows:

CITY OF ROSE HILL, KANSAS
Schedule of Changes in Long-Term Debt
For the Year Ended December 31, 2011

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds:										
Internal improvements - Series 1999	4.6% to 6.0%	8/1/1999	1,531,000	10/1/2014	\$ 255,000	\$ -	\$ 60,000	\$ -	\$ 195,000	\$ 13,205
Internal improvements - Series 2002	3.9% to 5.5%	5/1/2002	800,000	10/1/2017	455,000	-	55,000	-	400,000	20,653
Internal improvements - Series 2004	3.15% to 4.2%	2/1/2004	1,445,000	10/1/2019	975,000	-	100,000	-	875,000	36,480
Internal improvements - Series 2004-2	4.25% to 5.0%	7/1/2004	437,000	10/1/2019	305,000	-	30,000	-	275,000	13,532
Internal improvements - Series 2005-1	0%	1/15/2005	252,000	1/15/2014	112,000	-	28,000	-	84,000	-
Internal improvements - Series 2006	3.5% to 5.4%	2/1/2006	590,000	10/1/2021	480,000	-	35,000	-	445,000	18,827
Internal improvements - Series 2008	3.75% to 4.75%	7/1/2008	762,000	10/1/2023	695,000	-	40,000	-	655,000	28,639
Internal improvements - Series 2009	4.15% to 5.90%	8/1/2009	455,000	10/1/2024	435,000	-	20,000	-	415,000	21,348
Water utility system refunding - Series 2009-2	1.6% to 3.00%	12/7/2009	835,000	9/1/2015	710,000	-	130,000	-	580,000	17,517
Taxable - Series 2009-3	5.75% to 6.75%	12/1/2009	460,000	10/1/2030	460,000	-	-	-	460,000	53,900
Internal improvements - Series 2010	2.75% to 5.25%	11/1/2010	956,000	10/1/2031	956,000	-	-	-	956,000	-
Internal improvements - Series 2011	3.25% to 4.25%	4/15/2011	575,000	10/1/2026	-	575,000	-	-	575,000	-
Total General Obligation Bonds					5,838,000	575,000	498,000	-	5,915,000	224,101
Temporary Notes:										
Internal improvements - Series 2010-1	2.0%	7/15/2010	605,000	7/15/2012	605,000	-	605,000	-	-	9,512
Revolving Loans:										
KWPCRF Project No. C20-1228-01	3.6%	11/30/1996	508,740	9/1/2017	274,636	-	35,205	-	239,431	9,467
Additional draws in 1999			115,456							
Additional draws in 2002			42,851							
KWPCRF Project No. C20-1630-01	2.86%	5/1/2003	311,967	9/1/2024	547,742	-	32,318	-	515,424	15,436
Additional draws in 2004			190,445							
Additional draws in 2005			307,256							
Additional draws in 2006			4,792							
KWPCRF Project No. C20-1720-01	2.50%	10/25/2007	5,800,000 *	9/1/2029	5,412,343	315,349	254,041	-	5,473,651	147,617
TRF Project No. TR 0007	3.62%	1/20/2004	562,925	8/1/2024	447,106	-	25,085	-	422,021	17,303
TRF Project No. TR 0083	3.74%	9/2/2008	400,000 *	8/1/2018	353,055	-	39,647	-	313,408	12,936
TRF Project No. TR 0123	3.41%	12/7/2009	690,120	8/1/2024	624,157	-	35,232	-	588,925	22,385
Total Revolving Loans					7,659,039	315,349	421,528	-	7,552,860	225,144
Capital Leases:										
Historical building	4.25%	12/19/2008	50,000	1/1/2016	39,777	-	10,628	-	29,149	1,790
WWTF telephone system		5/31/2009	8,304	6/1/2013	5,017	-	2,076	-	2,941	-
Konica Copier Machine	6.361%	12/10/2011	12,984	4/1/2017	-	12,984	-	-	12,984	-
Total Capital Leases					44,794	12,984	12,704	-	45,074	1,790
Total Contractual Indebtedness					14,146,833	903,333	1,537,232	-	13,512,934	460,547
Compensated Absences										
					63,121			523	63,644	
Total City					\$ 14,209,954	\$ 903,333	\$ 1,537,232	\$ 523	\$ 13,576,578	\$ 460,547
Public Building Commission Revenue Bonds:										
City Hall/Police Department - Series 2003	2.0% to 5.0%	5/1/2003	1,315,000	10/1/2023 **	\$ 980,000	\$ -	\$ 55,000	\$ -	\$ 925,000	\$ 47,085

* The full amount of the revolving loan has not been advanced, this statement shows the amount advanced, the schedule of maturities reflects the full amount of the revolving loan due.

** Presented for supplemental information only.

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

CITY OF ROSE HILL, KANSAS
Schedule of Maturity of Long-Term Debt
For the Year Ended December 31, 2011

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017-2021</u>	<u>2022-2026</u>	<u>2027-2031</u>	<u>Total</u>
Principal:									
General obligation bonds	\$ 558,000	\$ 624,000	\$ 638,000	\$ 560,000	\$ 430,000	\$ 1,750,000	\$ 895,000	\$ 460,000	\$ 5,915,000
Revolving loan program *	423,130	436,287	449,863	463,870	478,324	2,268,390	2,151,498	964,017	7,635,379
Capital leases	10,802	10,395	9,990	10,473	2,912	502	-	-	45,074
Total Principal - City	<u>\$ 991,932</u>	<u>\$ 1,070,682</u>	<u>\$ 1,097,853</u>	<u>\$ 1,034,343</u>	<u>\$ 911,236</u>	<u>\$ 4,018,892</u>	<u>\$ 3,046,498</u>	<u>\$ 1,424,017</u>	<u>\$ 13,595,453</u>
Public Building Commission revenue bonds**	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 65,000</u>	<u>\$ 65,000</u>	<u>\$ 70,000</u>	<u>\$ 405,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 925,000</u>
Interest:									
General obligation bonds	\$ 286,638	\$ 222,841	\$ 199,631	\$ 175,291	\$ 153,409	\$ 510,526	\$ 221,060	\$ 63,488	\$ 1,832,884
Revolving loan program	224,263	211,106	197,531	183,524	169,069	629,872	294,385	40,128	1,949,878
Capital leases	2,225	1,928	1,467	984	476	4	-	-	7,084
Total Interest - City	<u>\$ 513,126</u>	<u>\$ 435,875</u>	<u>\$ 398,629</u>	<u>\$ 359,799</u>	<u>\$ 322,954</u>	<u>\$ 1,140,402</u>	<u>\$ 515,445</u>	<u>\$ 103,616</u>	<u>\$ 3,789,846</u>
Public Building Commission revenue bonds**	<u>\$ 45,050</u>	<u>\$ 42,650</u>	<u>\$ 40,250</u>	<u>\$ 37,000</u>	<u>\$ 33,750</u>	<u>\$ 112,750</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 326,450</u>
Total Principal and Interest - City	<u>\$ 1,214,856</u>	<u>\$ 1,212,292</u>	<u>\$ 1,221,242</u>	<u>\$ 1,394,142</u>	<u>\$ 1,234,190</u>	<u>\$ 5,159,294</u>	<u>\$ 3,561,943</u>	<u>\$ 1,527,633</u>	<u>\$ 17,385,299</u>

* Full amount has not been advanced as reflected on the long-term debt payment schedule, this reflects the full amount due at maturity.

**Presented for supplemental information only.

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

ROSE HILL PUBLIC LIBRARY
(A Component Unit of City of Rose Hill, Kansas)

Financial Statements
December 31, 2011

with
Independent Auditors' Report

ROSE HILL PUBLIC LIBRARY

Financial Statements

December 31, 2011

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MEMBERS
GREGORY B. SEVIER, C.P.A.
JOHN B. GOSS, C.P.A.

PRINCIPALS
VONDA J. WILSON, C.P.A.
DENISE M. GUDENKAUF, C.P.A.
MATT T. HAASE, C.P.A.
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**OF COUNSEL
MARVIN W. NYE, C.P.A.**

INDEPENDENT AUDITORS' REPORT

Board Of Trustees
Rose Hill Public Library

We have audited the accompanying financial statements of the individual funds of the Rose Hill Public Library (a component unit of the City of Rose Hill, Kansas) as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Library'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 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.

As described in Note 1, the Library's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally, accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each of the various funds of the Rose Hill Public Library, as of December 31, 2011 and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Board of Trustees and management of the Rose Hill Public Library, and for filing with the City of Rose Hill and should not be used for any other purposes.

Peterson Peterson & Goss, LC

March 20, 2012

ROSE HILL PUBLIC LIBRARY
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash	Cash Receipts	Expenditures	Ending Unencumbered Cash	Add Outstanding Encumbrances	Ending Cash Balance
Governmental Fund Types:						
General	\$ 46,004	\$ 94,829	\$ 87,416	\$ 53,417	\$ -	\$ 53,417
Total	<u>\$ 46,004</u>	<u>\$ 94,829</u>	<u>\$ 87,416</u>	<u>\$ 53,417</u>	<u>\$ -</u>	<u>\$ 53,417</u>

Composition of Cash:

Checking account - Rose Hill Bank	\$ 924
Money market account - Rose Hill Bank	52,493
Total	<u>\$ 53,417</u>

See notes to financial statements.

ROSE HILL PUBLIC LIBRARY
Summary of Expenditures - Actual and Budget
Year Ended December 31, 2011

<u>Fund</u>	<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
General	\$ 95,089	\$ 87,416	\$ 7,673

See notes to financial statements.

ROSE HILL PUBLIC LIBRARY
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
Year Ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Cash Receipts:			
Appropriation from City	\$ 82,514	\$ 85,227	\$ 2,713
State of Kansas	2,550	2,010	(540)
SCKLS	6,770	7,131	361
Interest	600	461	(139)
Memorials, donations and grants	1,300	-	(1,300)
Total Cash Receipts	<u>93,734</u>	<u>94,829</u>	<u>1,095</u>
Expenditures:			
Personnel services	46,811	50,922	(4,111)
Contractual services	24,550	29,263	(4,713)
Commodities	8,600	7,231	1,369
Capital outlay	15,128	-	15,128
Total Expenditures	<u>95,089</u>	<u>87,416</u>	<u>7,673</u>
Receipts Over (Under) Expenditures	(1,355)	7,413	8,768
Unencumbered Cash, Beginning	<u>1,355</u>	<u>46,004</u>	<u>44,649</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 53,417</u>	<u>\$ 53,417</u>

See notes to financial statements.

ROSE HILL PUBLIC LIBRARY

Notes to Financial Statements

December 31, 2011

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Rose Hill Public Library (The Library) is presented to assist in understanding the Library's financial statements. The financial statements and notes are representations of the Library's management, who is responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than generally accepted accounting principles.

Reporting Entity

Rose Hill Public Library is a component unit of the City of Rose Hill, Kansas. The Library is governed by a six-member board of trustees appointed by the Mayor and approved by the Rose Hill City Council. The Library taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. Acquisition or disposition of real property must have approval of the City Council. Due to the significance of its operational and financial relationship with the City, the Rose Hill Public Library is a component unit of the City of Rose Hill, Kansas.

Basis of Presentation

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Library for the year 2011:

Governmental Fund Types

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

Basis of Accounting

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund increases. Cash disbursements are recognized when the cash balance of a fund is decreased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed contracts for goods and services, and are usually evidenced by a purchase order or written contract.

ROSE HILL PUBLIC LIBRARY
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

Departure from Generally Accepted Accounting Principles

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. General fixed assets that account for the land, buildings and equipment owned by the Library are not presented in the financial statements.

Budgetary Principles

The Library is required by State statute to adopt annual budgets, via the City of Rose Hill, on or before August 25 for the ensuing year. 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 the 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.

Budgeted revenue and expenditure amounts represent the original budget adopted by the Board of Trustees and the City of Rose Hill. Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Management has the authority to exceed line item budget; however, total fund expenditures cannot exceed the adopted budget of expenditures of individual funds.

2. Cash and Certificates of Deposit

The carrying amount of the Library's cash at December 31, 2011 was \$53,417 and the bank statement balances were \$59,645. Differences between the carrying amounts and the bank statement balances were deposits in transit and outstanding checks.

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Notes to Financial Statements
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2. Cash and Certificates of Deposit (continued)

Applicable state statutes authorize the Library to invest in (1) temporary notes or no-fund warrants issued by the governmental unit; (2) time deposit, open accounts or certificates of deposit, with maturities of not more than two years, in commercial banks; (3) time certificates of deposit, with maturities of not more than two years, with state or federally chartered savings and loan associations or federally chartered savings banks; (4) repurchase agreements with commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks; (5) United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two years; (6) the municipal investment pool maintained by the state Treasurer's office; and (7) trust departments of commercial banks.

All of the Library's cash was Category 1 for risk purposes.

3. Compliance with Kansas Law

Management is not aware of any statutory violations for the year 2011.

4. Risk Management

The Library is exposed to various risks for loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance for all risks of loss.

5. Subsequent Events

Subsequent events have been evaluated through March 20, 2012, which is the date the financial statements were available to be issued. Events requiring disclosure were identified and disclosed.