

CITY OF ST. GEORGE, KANSAS

FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Manhattan, Kansas 66502

City of St. George, Kansas
Financial Statements
For the Year Ended December 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of St. George, Kansas

We have audited the accompanying financial statements of the City of St. George, 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 City of St. George, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year parital (and summarized) comparative financial information has been derived from the City's December 31, 2010 financial statements and, in our report dated September 11, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance 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 more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

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

Vonfeldt, Bauer & Vonfeldt, Chtd.

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants

September 18, 2012

City of St. George, Kansas
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General Fund	\$ 2,995.27	\$ 0.00	\$ 312,940.49	\$ 292,209.66	\$ 23,726.10	\$ 8,591.72	\$ 32,317.82
Special Revenue Funds:							
LE Equipment Reserve	0.00	0.00	248.50	0.00	248.50	0.00	248.50
Special Parks and Recreation	6,759.25	0.00	870.14	2,009.50	5,619.89	0.00	5,619.89
Special Highway	17,796.36	0.00	15,998.21	12,299.58	21,495.19	1,021.63	22,516.82
Special Parks and Recreation Reserve	1,190.00	0.00	0.00	0.00	1,190.00	0.00	1,190.00
Debt Service Fund:							
Bond & Interest	49,625.12	0.00	266,544.87	251,219.25	64,950.74	0.00	64,950.74
Capital Project Funds:							
Powercat Phase 6	7,057.00	0.00	0.00	0.00	7,057.00	0.00	7,057.00
Riverview Hills	9,797.74	0.00	0.00	0.00	9,797.74	0.00	9,797.74
Sewer Project Fund	0.00	0.00	1,821,216.11	923,646.24	897,569.87	0.00	897,569.87
Proprietary Type Funds:							
Enterprise Funds:							
Sewer Utility	69,284.97	0.00	92,179.26	48,548.49	112,915.74	2,181.04	115,096.78
Water Utility	68,773.64	0.00	141,055.94	107,411.84	102,417.74	2,173.43	104,591.17
Sewer Replacement Reserve	8,641.80	0.00	0.00	0.00	8,641.80	0.00	8,641.80
Total Reporting Entity (Memorandum Only)	\$ 241,921.35	\$ 0.00	\$ 2,651,053.52	\$ 1,637,344.56	\$ 1,255,630.31	\$ 13,967.82	\$ 1,269,598.13

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

City of St. George, Kansas
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2011

Balance to be Accounted for:	<u>\$ 1,269,598.13</u>
Composition of Cash:	
Other City Accounts:	
Checking Account - Kaw Valley State Bank, Wamego, KS	87,264.19
Less Outstanding Checks	(68,250.46)
Plus Outstanding Deposits	10,039.12
Less Utility Payments Not Deposited	(3,355.67)
MMA Account-Kaw Valley State Bank, Wamego, KS	1,187,350.89
Cash Available at Pottawatomie County	<u>56,550.06</u>
Total Reporting Entity	<u>\$ 1,269,598.13</u>

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

City of St. George, Kansas
Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
For the Year Ended December 31, 2011

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds:					
General Fund	\$ 259,058.00	\$ 0.00	\$ 259,058.00	\$ 292,209.66	\$ 33,151.66
Special Revenue Funds:					
Special Parks and Recreation	2,050.00	0.00	2,050.00	2,009.50	(40.50)
Special Highway	18,135.00	0.00	18,135.00	12,299.58	(5,835.42)
Debt Service Fund:					
Bond & Interest	364,200.00	0.00	364,200.00	251,219.25	(112,980.75)
Proprietary Type Funds:					
Enterprise Funds:					
Sewer Utility	97,030.00	0.00	97,030.00	48,548.49	(48,481.51)
Water Utility	136,154.00	0.00	136,154.00	107,411.84	(28,742.16)

City of St. George, Kansas
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	\$ 82,526.47	\$ 88,470.42	\$ 94,246.00	\$ (5,775.58)
Delinquent Tax	4,296.33	3,879.03	0.00	3,879.03
Motor Vehicle Tax	11,810.80	10,350.37	8,948.00	1,402.37
Recreational Vehicle Tax	0.00	236.32	220.00	16.32
16/20 M Vehicle Tax	0.00	58.67	38.00	20.67
Local Liquor Tax	698.13	556.64	725.00	(168.36)
Sales Tax	85,388.29	85,616.08	81,600.00	4,016.08
Franchise Tax	18,353.96	16,282.59	15,450.00	832.59
Compensating Use Tax	0.00	9,060.13	0.00	9,060.13
Other Taxes	250.00	594.48	0.00	594.48
License and Permits	12,282.24	15,746.00	10,710.00	5,036.00
Fines, Forfeitures and Penalties	14,027.77	11,686.00	8,190.00	3,496.00
Rental Income	4,800.00	4,800.00	4,800.00	0.00
State Aid	54,638.00	54,412.55	0.00	54,412.55
Federal Aid	16,337.75	170.00	0.00	170.00
Reimbursed Expenses	4,318.04	7,992.36	820.00	7,172.36
Miscellaneous	573.60	1,431.39	1,000.00	431.39
Interest	1,104.24	1,597.46	1,300.00	297.46
Total Cash Receipts	311,405.62	312,940.49	\$ 228,047.00	\$ 84,893.49
Expenditures				
Personnel	104,640.80	101,094.23	100,729.00	365.23
Contractuals and other	197,283.12	82,237.63	79,515.00	2,722.63
Materials and supplies	15,029.64	25,849.66	40,269.00	(14,419.34)
Equipment Reserve	14,477.34	0.00	0.00	0.00
Lease Purchase Payment	0.00	5,212.73	0.00	5,212.73
Insurance	0.00	12,478.25	9,500.00	2,978.25
Capital Outlay	34,062.05	65,337.16	29,045.00	36,292.16
Total Expenditures	365,492.95	292,209.66	\$ 259,058.00	\$ 33,151.66

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

City of St. George, Kansas
GENERAL FUND (Cont'd.)
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts Over (Under) Expenditures	(54,087.33)	20,730.83		
Unencumbered Cash, Beginning	<u>57,082.60</u>	<u>2,995.27</u>		
Unencumbered Cash, Ending	<u>\$ 2,995.27</u>	<u>\$ 23,726.10</u>		

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

City of St. George, Kansas
LE EQUIPMENT RESERVE
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>Prior Year</u> <u>Actual</u>	<u>Actual</u>
Cash Receipts		
Court Fees	\$ 0.00	\$ 248.50
Total Cash Receipts	<u>0.00</u>	<u>248.50</u>
Expenditures		
None	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>0.00</u>	<u>0.00</u>
Receipts Over (Under) Expenditures	0.00	248.50
Unencumbered Cash, Beginning	<u>0.00</u>	<u>0.00</u>
Unencumbered Cash, Ending	<u>\$ 0.00</u>	<u>\$ 248.50</u>

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

City of St. George, Kansas
SPECIAL PARKS AND RECREATION
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Local Alcohol Tax	\$ 698.12	\$ 556.64	\$ 700.00	\$ (143.36)
Fines, Forfeitures, and Penalties	2,106.38	248.50	1,000.00	(751.50)
Miscellaneous	0.00	65.00	0.00	65.00
Total Cash Receipts	<u>2,804.50</u>	<u>870.14</u>	<u>\$ 1,700.00</u>	<u>\$ (829.86)</u>
Expenditures				
Contractuals and Other	1,229.95	674.49	1,000.00	(325.51)
Materials and Supplies	0.00	1,335.01	1,000.00	335.01
Equipment Reserve	225.00	0.00	0.00	0.00
Administrative	0.00	0.00	50.00	(50.00)
Total Expenditures	<u>1,454.95</u>	<u>2,009.50</u>	<u>\$ 2,050.00</u>	<u>\$ (40.50)</u>
Receipts Over (Under) Expenditures	1,349.55	(1,139.36)		
Unencumbered Cash, Beginning	<u>5,409.70</u>	<u>6,759.25</u>		
Unencumbered Cash, Ending	<u>\$ 6,759.25</u>	<u>\$ 5,619.89</u>		

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

City of St. George, Kansas
SPECIAL HIGHWAY
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Motor Fuel Tax	\$ 15,435.08	\$ 15,998.21	\$ 14,900.00	\$ 1,098.21
Total Cash Receipts	<u>15,435.08</u>	<u>15,998.21</u>	<u>\$ 14,900.00</u>	<u>\$ 1,098.21</u>
Expenditures				
Dues, Fees and Assessments	198.94	0.00	4,635.00	(4,635.00)
Contractuals and Other	5,975.58	12,216.95	7,500.00	4,716.95
Materials and Supplies	<u>0.00</u>	<u>82.63</u>	<u>6,000.00</u>	<u>(5,917.37)</u>
Total Expenditures	<u>6,174.52</u>	<u>12,299.58</u>	<u>\$ 18,135.00</u>	<u>\$ (5,835.42)</u>
Receipts Over (Under) Expenditures	9,260.56	3,698.63		
Unencumbered Cash, Beginning	<u>8,536.00</u>	<u>17,796.56</u>		
Unencumbered Cash, Ending	<u>\$ 17,796.56</u>	<u>\$ 21,495.19</u>		

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

City of St. George, Kansas
SPECIAL PARKS AND RECREATION RESERVE
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	
	<u>Actual</u>	<u>Actual</u>
Cash Receipts		
None	\$ 0.00	\$ 0.00
Total Cash Receipts	<u>0.00</u>	<u>0.00</u>
Expenditures		
None	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>0.00</u>	<u>0.00</u>
Receipts Over (Under) Expenditures	0.00	0.00
Unencumbered Cash, Beginning	<u>1,190.00</u>	<u>1,190.00</u>
Unencumbered Cash, Ending	<u>\$ 1,190.00</u>	<u>\$ 1,190.00</u>

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

City of St. George, Kansas
BOND & INTEREST
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	\$ 61,492.16	\$ 35,413.08	\$ 37,724.00	\$ (2,310.92)
Special Assessments	201,785.48	222,970.71	275,789.00	(52,818.29)
Motor Vehicle Tax	1,027.55	5,741.72	6,667.00	(925.28)
Recreational Vehicle Tax	0.00	108.84	164.00	(55.16)
16/20 M Vehicle Tax	0.00	4.54	28.00	(23.46)
Delinquent Tax	967.56	2,305.98	0.00	2,305.98
Total Cash Receipts	<u>265,272.75</u>	<u>266,544.87</u>	<u>\$ 320,372.00</u>	<u>\$ (53,827.13)</u>
Expenditures				
Service Fees	0.00	3,382.39	5,000.00	(1,617.61)
Contractual and Other	10,082.65	0.00	0.00	0.00
Principal Payments	90,630.31	116,594.96	113,968.00	2,626.96
Interst Payments	145,215.40	131,241.90	145,232.00	(13,990.10)
Cash Reserve Unpaid Assessment	0.00	0.00	100,000.00	(100,000.00)
Total Expenditures	<u>245,928.36</u>	<u>251,219.25</u>	<u>\$ 364,200.00</u>	<u>\$ (112,980.75)</u>
Receipts Over (Under) Expenditures	19,344.39	15,325.62		
Unencumbered Cash, Beginning	<u>30,280.73</u>	<u>49,625.12</u>		
Unencumbered Cash, Ending	<u>\$ 49,625.12</u>	<u>\$ 64,950.74</u>		

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

City of St. George, Kansas
POWERCAT PHASE 6
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>Prior Year Actual</u>	<u>Actual</u>
Cash Receipts		
None	\$ 0.00	\$ 0.00
Total Cash Receipts	<u>0.00</u>	<u>0.00</u>
Expenditures		
None	<u>0.00</u>	<u>0.00</u>
Total Expenditures	<u>0.00</u>	<u>0.00</u>
Receipts Over (Under) Expenditures	0.00	0.00
Unencumbered Cash, Beginning	<u>7,057.00</u>	<u>7,057.00</u>
Unencumbered Cash, Ending	<u>\$ 7,057.00</u>	<u>\$ 7,057.00</u>

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

City of St. George, Kansas
RIVERVIEW HILLS
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>Prior Year</u> <u>Actual</u>	<u>Actual</u>
Cash Receipts		
Miscellaneous	\$ 3,662.74	\$ 0.00
Bond Proceeds	<u>61,337.83</u>	<u>0.00</u>
Total Cash Receipts	<u>65,000.57</u>	<u>0.00</u>
Expenditures		
Contractual and Other	<u>61,337.83</u>	<u>0.00</u>
Total Expenditures	<u>61,337.83</u>	<u>0.00</u>
Receipts Over (Under) Expenditures	3,662.74	0.00
Unencumbered Cash, Beginning	<u>6,135.00</u>	<u>9,797.74</u>
Unencumbered Cash, Ending	<u>\$ 9,797.74</u>	<u>\$ 9,797.74</u>

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

City of St. George, Kansas
SEWER PROJECT FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Actual
Cash Receipts		
USDA Grant	\$ 0.00	\$ 200,000.00
Temporary Note Proceeds	0.00	1,621,216.11
Total Cash Receipts	0.00	1,821,216.11
Expenditures		
Contractuals and Other	0.00	923,646.24
Total Expenditures	0.00	923,646.24
Receipts Over (Under) Expenditures	0.00	897,569.87
Unencumbered Cash, Beginning	0.00	0.00
Unencumbered Cash, Ending	\$ 0.00	\$ 897,569.87

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

City of St. George, Kansas
SEWER UTILITY
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services	\$ 92,108.16	\$ 92,179.26	\$ 80,075.00	\$ 12,104.26
Total Cash Receipts	<u>92,108.16</u>	<u>92,179.26</u>	<u>\$ 80,075.00</u>	<u>\$ 12,104.26</u>
Expenditures				
Personnel	16,452.56	17,881.68	40,343.00	(22,461.32)
Contractuals and Other	20,966.71	19,579.48	14,830.00	4,749.48
Materials and Supplies	1,215.94	6,622.71	5,500.00	1,122.71
Equipment Reserve	6,731.81	0.00	0.00	0.00
Lease Purchase Payments	0.00	984.00	0.00	984.00
Capital Outlay	0.00	0.00	32,877.00	(32,877.00)
Principal	2,322.13	2,389.22	2,389.00	0.22
Interest	1,057.04	996.00	1,091.00	(95.00)
Service Fees	0.00	95.40	0.00	95.40
Total Expenditures	<u>48,746.19</u>	<u>48,548.49</u>	<u>\$ 97,030.00</u>	<u>\$ (48,481.51)</u>
Receipts Over (Under) Expenditures	43,361.97	43,630.77		
Unencumbered Cash, Beginning	<u>25,923.00</u>	<u>69,284.97</u>		
Unencumbered Cash, Ending	<u>\$ 69,284.97</u>	<u>\$ 112,915.74</u>		

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

City of St. George, Kansas
WATER UTILITY
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services	\$ 129,916.46	\$ 126,420.74	\$ 120,870.00	\$ 5,550.74
Fines, Forfeitures, and Penalties	2,946.52	13,015.58	4,200.00	8,815.58
Licenses and Permits	0.00	1,600.00	0.00	1,600.00
Miscellaneous	90.00	19.62	0.00	19.62
Total Cash Receipts	<u>132,952.98</u>	<u>141,055.94</u>	<u>\$ 125,070.00</u>	<u>\$ 15,985.94</u>
Expenditures				
Personnel	25,534.74	53,181.09	38,632.00	14,549.09
Contractuals and Other	17,243.63	12,255.84	49,847.00	(37,591.16)
Materials and Supplies	790.79	6,461.45	13,146.00	(6,684.55)
Equipment Reserve	6,731.81	0.00	0.00	0.00
Capital Outlay	9,052.40	0.00	0.00	0.00
Lease Purchase Payments	0.00	984.00	0.00	984.00
Principal	20,070.33	20,797.12	20,797.00	0.12
Interest	13,049.64	12,393.52	13,732.00	(1,338.48)
Service Fees	0.00	1,338.82	0.00	1,338.82
Total Expenditures	<u>92,473.34</u>	<u>107,411.84</u>	<u>\$ 136,154.00</u>	<u>\$ (28,742.16)</u>
Receipts Over (Under) Expenditures	40,479.64	33,644.10		
Unencumbered Cash, Beginning	<u>28,294.00</u>	<u>68,773.64</u>		
Unencumbered Cash, Ending	<u>\$ 68,773.64</u>	<u>\$ 102,417.74</u>		

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

City of St. George, Kansas
SEWER REPLACEMENT RESERVE
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Actual
Cash Receipts		
None	\$ 0.00	\$ 0.00
Total Cash Receipts	0.00	0.00
Expenditures		
Contractual and Other	2,017.20	0.00
Total Expenditures	2,017.20	0.00
Receipts Over (Under) Expenditures	(2,017.20)	0.00
Unencumbered Cash, Beginning	10,659.00	8,641.80
Unencumbered Cash, Ending	\$ 8,641.80	\$ 8,641.80

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

CITY OF ST. GEORGE, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of St. George, Kansas is a municipal corporation governed by an elected six-member council. A primary government is a legal entity or public 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 City of St. George, Kansas has no component units as of December 31, 2011.

B. FUND ACCOUNTING

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

The following types of funds comprise the financial activities of the City of St. George, Kansas for the year ended December 31,2011.

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 expenditure for specified purposes.

Debt Service Funds--to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligatoins of the City of St. George, Kansas.

Capital Project Funds--to account for financial resources to be used for the acquisition or construction of major capital facilities.

PROPRIETARY FUNDS:

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises--where the stated intent is that the costs (expenses), including depreciation, 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.

C. BASIS OF ACCOUNTING

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, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

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, expenditures, 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 generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

D. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available. Cash and investments consist of interest bearing checking accounts and money market accounts. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

E. COMPENSATED ABSENCES

Vacation Leave Policy:

Full-time employees will be credited with vacation leave at varying rates depending on years of service.

Full-time employees will be credited with vacation leave weekly and any available time not used by the end of the benefit year will be lost. Upon termination, full-time employees will be compensated for any unused vacation leave at their final rate of pay.

Sick Leave Policy:

Full-time employees shall earn twelve days of sick leave each year with no max accumulation. Upon termination, employees will not be compensated for unused sick leave, therefore, there is no potential liability for unused sick leave as of December 31, 2011.

As of December 31, 2011 and 2010 the liability for unused vacation leave was \$1,039.50 and \$5,935.47, respectively, which is a net change of \$4,895.97.

F. COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompany individual fund financial statements in order to provide an understanding of changes in the City's financial position and operation. Some prior year balances have been reclassified to conform with the current year presentation.

G. TOTAL COLUMNS (MEMORANDUM ONLY)

Total Columns on the Summary of Receipts, Expenditures and Unencumbered Cash are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

H. AD VALOREM TAX REVENUE

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the City by January 20. The second half is due May 10 and distributed to the City by June 5. The City Treasurer draws available funds from the County Treasurer at designated times throughout the year.

I. REIMBURSED EXPENSES

The City records reimbursable expenditures (or expense) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures (or expenses) are properly offset by the reimbursements.

J. USE OF ESTIMATES

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - BUDGETARY INFORMATION

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

1. Preparation of the budget for the succeeding calendar year on or before August 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 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.

Note 2 - BUDGETARY INFORMATION (Cont'd.)

Adjustment for Qualifying Budget Credits: Cities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, reimbursements, gifts and donations and receipts authorized by law to be spent as if they were reimbursed expenses.

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

A legal operating budget is not required for capital projects funds, reserve funds, fiduciary funds, permanent funds, and the following special revenue funds:

Special Parks and Recreation Reserve
LE Equipment Reserve

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

Note 3 - COMPLIANCE WITH KANSAS STATUTES

1. Expenditures exceeded the authorized budget in the General Fund in violation of K.S.A 79-2935.

Management is aware of no other statutory violations for the period covered by the audit.

Note 4 - DEPOSITS

K.S.A. 9-1401 established the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC Coverage. The City has no other policies that would further limit interest rate risk.

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

Concentration of Credit Risk: State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance, bank guarantee bonds, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All deposits were legally secured at December 31, 2011.

At December 31, 2011 the City's carrying amount of deposits was \$1,269,598.13 and the bank balance was \$1,274,615.08. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$337,264.19 was covered by federal depository insurance, and \$937,350.89 was collateralized with securities held by the pledging financial institution's agents in the City's name.

Note 5 - LONG TERM DEBT

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year
General Obligation/Special Assessment Bonds					
To be paid with tax levys:					
Bond Series 1999A	5.20%	1/15/1999	\$ 76,000.00	1/15/2014	\$ 26,100.00
Bond Series 1999B	4.75%	4/06/1999	102,500.00	4/06/2039	89,800.00
Bond Series 1999C	4.75%	4/06/1999	38,800.00	4/06/2039	29,513.61
Bond Series 2001A	5.4-6.1%	7/15/2001	188,000.00	9/01/2021	130,000.00
Bond Series 2003	5.5-6.25%	2/01/2003	51,086.00	10/01/2023	40,000.00
Bond Series 2004	6.00%	9/15/2004	70,480.00	10/01/2024	57,000.00
Bond Series 2006A	5.75-5.875%	4/15/2006	75,000.00	10/01/2026	66,000.00
Bond Series 2007A	4.90%	3/01/2007	80,000.00	10/01/2027	73,000.00
Bond Series 2009A	4.0-5.25%	7/15/2009	1,200,000.00	10/01/2029	1,190,000.00
Revolving Loans					
To be paid with tax levys & utility revenues:					
Kansas Water Supply Loan	2.86%	5/16/2003	52,874.00	9/01/2024	38,753.72
Kansas Water Pollution Revolving Fund	3.59%	7/25/2003	491,956.00	8/01/2025	387,669.30
KDOT Project #TR0021	3.79%	3/14/2005	160,000.00	8/01/2025	128,229.09
KDOT Project #TR0032	3.76%	4/5/2006	208,210.00	8/01/2025	117,752.13
KDOT Project #TR0048	3.64%	6/15/2007	313,000.00	8/01/2027	295,892.63
KDOT Project #TR0050	3.74%	7/11/2007	736,667.00	8/01/2027	690,985.17
KDOT Project #TR0057	3.74%	7/11/2007	469,500.00	8/01/2027	142,268.60
Temporary Notes					
Temp Note Series 2011-1	2.00%	12/01/2011	1,630,000.00	12/01/2012	0.00
Capital Leases					
To be paid with tax levys & utility revenues:					
Backhoe Loader Lease	0.00%	6/30/2006	63,275.00	6/30/2011	5,212.33
Gator Lease	4.55%	9/06/2011	11,104.64	9/06/2014	0.00
Total Contractual Indebtedness					3,508,176.58
Compensated Absences					5,935.47
Total Long Term Debt					\$ 3,514,112.05

Additions	Reductions / Payments	Net Change	Balance End of Year	Interest Paid
\$ 0.00	\$ 6,000.00		\$ 20,100.00	\$ 1,201.20
0.00	1,500.00		88,300.00	4,229.88
0.00	600.00		28,913.61	1,387.65
0.00	10,000.00		120,000.00	7,300.00
0.00	2,000.00		38,000.00	2,377.50
0.00	3,000.00		54,000.00	3,420.00
0.00	3,000.00		63,000.00	3,858.76
0.00	3,000.00		70,000.00	3,577.00
0.00	25,000.00		1,165,000.00	56,932.50
0.00	2,389.22		36,364.50	996.00
0.00	20,797.12		366,872.18	12,393.52
0.00	6,612.48		121,616.61	4,539.14
0.00	6,232.66		111,519.47	4,133.10
0.00	12,877.29		283,015.34	4,965.18
0.00	30,632.69		660,352.48	23,289.23
0.00	6,139.84		136,128.76	10,030.76
1,630,000.00	0.00		1,630,000.00	0.00
0.00	5,212.33		0.00	0.00
<u>11,104.64</u>	<u>1,852.81</u>		<u>9,251.83</u>	<u>115.55</u>
1,641,104.64	146,846.44		5,002,434.78	144,746.97
		(4,895.97)	1,039.50	
<u>\$ 1,641,104.64</u>	<u>\$ 146,846.44</u>	<u>\$ (4,895.97)</u>	<u>\$ 5,003,474.28</u>	<u>\$ 144,746.97</u>

Note 5 - LONG TERM DEBT (Cont'd.)

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

	12/31/2012	12/31/2013	12/31/2014	12/31/2015
PRINCIPAL:				
General Obligation/Special Assessment Bonds				
To be paid with tax levys:				
Bond Series 1999A	\$ 6,400.00	\$ 6,700.00	\$ 7,000.00	\$ 0.00
Bond Series 1999B	1,600.00	1,600.00	1,700.00	1,900.00
Bond Series 1999C	600.00	600.00	700.00	700.00
Bond Series 2001A	10,000.00	10,000.00	10,000.00	10,000.00
Bond Series 2003	2,000.00	2,000.00	3,000.00	3,000.00
Bond Series 2004	3,000.00	3,000.00	3,000.00	4,000.00
Bond Series 2006A	3,000.00	3,000.00	3,000.00	3,000.00
Bond Series 2007A	3,000.00	3,000.00	3,000.00	3,000.00
Bond Series 2009A	25,000.00	30,000.00	35,000.00	35,000.00
Revolving Loans				
To be paid with tax levys & utility revenues:				
Kansas Water Supply Loan	2,458.05	2,528.85	2,601.69	2,676.64
Kansas Water Pollution Revolving Fund	21,550.43	22,331.04	23,139.92	23,978.09
KDOT Project #TR0021	6,862.36	7,122.82	7,392.76	7,672.96
KDOT Project #TR0032	6,467.00	6,710.16	6,962.46	7,224.26
KDOT Project #TR0048	13,346.03	13,831.83	14,335.29	14,857.11
KDOT Project #TR0050	30,893.02	32,048.42	33,247.04	34,490.46
KDOT Project #TR0057	6,369.48	6,607.70	6,854.82	7,111.20
Temporary Notes				
Temp Note Series 2011-1	1,630,000.00	0.00	0.00	0.00
Capital Leases				
To be paid with tax levys & utility revenues:				
Gator Lease	3,574.80	3,740.89	1,936.14	0.00
TOTAL PRINCIPAL	1,776,121.17	154,821.71	162,870.12	158,610.72
INTEREST:				
General Obligation/Special Assessment Bonds				
To be paid with tax levys:				
Bond Series 1999A	878.80	538.20	182.00	0.00
Bond Series 1999B	4,156.26	4,080.26	4,001.88	3,916.38
Bond Series 1999C	1,359.15	1,330.65	1,299.77	1,266.52
Bond Series 2001A	6,690.00	6,150.00	5,610.00	5,070.00
Bond Series 2003	2,267.50	2,157.50	2,047.50	1,875.00
Bond Series 2004	3,240.00	3,060.00	2,880.00	2,700.00
Bond Series 2006A	3,686.26	3,513.76	2,996.26	3,168.76
Bond Series 2007A	3,430.00	3,283.00	3,136.00	2,989.00
Bond Series 2009A	55,932.50	54,932.50	53,732.50	52,332.50
Revolving Loans				
To be paid with tax levys & utility revenues:				
Kansas Water Supply Loan	933.19	868.58	802.10	733.71
Kansas Water Pollution Revolving Fund	11,713.65	11,009.15	10,279.13	9,522.67
KDOT Project #TR0021	4,305.40	4,062.30	3,810.16	3,548.44
KDOT Project #TR0032	3,914.34	3,687.34	3,451.82	3,207.44
KDOT Project #TR0048	9,594.22	9,141.78	8,672.90	8,186.92
KDOT Project #TR0050	23,046.30	21,968.14	20,849.64	19,689.32
KDOT Project #TR0057	4,750.90	4,528.60	4,298.00	4,058.76
Capital Leases				
To be paid with tax levys & utility revenues:				
Gator Lease	361.92	195.83	33.22	0.00
TOTAL INTEREST	140,260.39	134,507.59	128,082.88	122,265.42
TOTAL PRINCIPAL & INTEREST	\$ 1,916,381.56	\$ 289,329.30	\$ 290,953.00	\$ 280,876.14

12/31/2016	12/31/17-12/31/21	12/31/22-12/31/26	12/31/27-12/31/31	12/31/32-12/31/36	12/31/37-12/31/41	Total
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 20,100.00
1,800.00	11,000.00	13,700.00	17,400.00	21,900.00	15,700.00	88,300.00
700.00	4,100.00	5,400.00	6,400.00	8,300.00	1,413.61	28,913.61
10,000.00	70,000.00	0.00	0.00	0.00	0.00	120,000.00
3,000.00	17,000.00	8,000.00	0.00	0.00	0.00	38,000.00
4,000.00	22,000.00	15,000.00	0.00	0.00	0.00	54,000.00
4,000.00	21,000.00	26,000.00	0.00	0.00	0.00	63,000.00
4,000.00	21,000.00	27,000.00	6,000.00	0.00	0.00	70,000.00
40,000.00	260,000.00	405,000.00	335,000.00	0.00	0.00	1,165,000.00
2,753.73	15,005.17	8,340.37	0.00	0.00	0.00	36,364.50
24,846.64	138,403.14	112,622.92	0.00	0.00	0.00	366,872.18
7,963.76	44,581.58	40,020.37	0.00	0.00	0.00	121,616.61
7,495.90	41,924.14	34,735.55	0.00	0.00	0.00	111,519.47
15,397.91	85,816.15	102,613.85	22,817.17	0.00	0.00	283,015.34
35,780.42	200,004.32	240,309.32	53,579.48	0.00	0.00	660,352.48
7,377.16	41,236.66	49,546.68	11,025.06	0.00	0.00	136,128.76
0.00	0.00	0.00	0.00	0.00	0.00	1,630,000.00
0.00	0.00	0.00	0.00	0.00	0.00	9,251.83
169,115.52	993,071.16	1,088,289.06	452,221.71	30,200.00	17,113.61	5,002,434.78
0.00	0.00	0.00	0.00	0.00	0.00	1,599.00
3,828.51	17,670.03	14,751.14	11,072.27	6,429.16	1,142.40	71,048.29
1,233.27	5,620.11	4,510.98	2,731.78	1,359.26	33.57	20,745.06
4,530.00	12,540.00	0.00	0.00	0.00	0.00	40,590.00
1,702.50	5,790.00	750.00	0.00	0.00	0.00	16,590.00
2,460.00	8,640.00	1,800.00	0.00	0.00	0.00	24,780.00
2,996.26	11,456.30	4,700.02	0.00	0.00	0.00	32,517.62
2,842.00	11,270.00	5,586.00	294.00	0.00	0.00	32,830.00
50,932.50	226,422.50	152,805.00	35,962.50	0.00	0.00	683,052.50
663.35	2,185.63	329.62	0.00	0.00	0.00	6,516.18
8,738.81	30,905.55	7,427.77	0.00	0.00	0.00	89,596.73
3,276.82	11,935.50	3,498.46	0.00	0.00	0.00	34,437.08
2,953.86	9,410.34	2,856.92	0.00	0.00	0.00	29,482.06
7,683.26	30,195.96	14,551.94	773.50	0.00	0.00	88,800.48
18,485.60	72,736.34	35,125.54	1,869.92	0.00	0.00	213,770.80
3,810.58	14,992.88	7,238.32	384.78	0.00	0.00	44,062.82
0.00	0.00	0.00	0.00	0.00	0.00	590.97
116,137.32	471,771.14	255,931.71	53,088.75	7,788.42	1,175.97	1,431,009.59
\$ 285,252.84	\$ 1,464,842.30	\$ 1,344,220.77	\$ 505,310.46	\$ 37,988.42	\$ 18,289.58	\$ 6,433,444.37

Note 6 - DEFINED BENEFIT PENSION PLAN

Plan description. The City of St. George 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 Ave., Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% 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 bases. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established for calendar year 2011 is 7.74%. The City of St. George employer contributions to KPERs for the years ending December 31, 2011 and 2010, were \$8,906.35, and \$7,772.90, respectively, equal to the required contributions for each year.

Note 7 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The City does not participate in a public entity risk pool.

Note 8 - CONTINGENCIES

The city has one case in litigation and the city attorney advised that the outcome could be unfavorable. The case was decided by the District Judge and awarded attorney fees to the plaintiff. The city has appealed the matter to the Kansas Court of Appeals and a decision is expected in 2012. The maximum exposure for the city is approximately \$5,000.

Note 9 - CAPITAL PROJECT FUNDS

At year-end, capital project authorizations by fund, compared with expenditures from inception are as follows:

<u>Sewer Project Fund</u>		
<u>Description</u>	<u>Expenditures to Date</u>	<u>Project Authorizat</u>
Sewer Improvements	\$ 923,646.24	\$ 1,795,000.00

Note 10 - SUBSEQUENT EVENTS

The City has evaluated events subsequent to year end through September 18, 2012, and does not believe any events occurred which effect the financial statements as presented.