

CITY OF HESSTON, KANSAS

DECEMBER 31, 2012

CITY OF HESSTON, KANSAS

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council City of Hesston, Kansas

We have audited the accompanying financial statement of City of Hesston, Kansas (the City) which comprise the summary of cash receipts, expenditures, and unencumbered cash, as of and for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis and budget laws of the state of Kansas as prescribed by Kansas Municipal Audit and Accounting Guide (KMAAG), as described in note 1, to meet the financial reporting requirements of the state of Kansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and KMAAG. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Basis for Adverse Opinion on United States Generally Accepted Accounting Principles

As described in note 1 of the financial statement, the financial statement is prepared by the City in accordance with the cash basis and budget laws of the state of Kansas as prescribed by KMAAG to meet the requirements of the State of Kansas, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on United States Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2012, or the respective changes in financial position or where applicable, its changes in cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City, as of December 31, 2012, and the aggregate cash receipts and expenditures for the year then ended in accordance with the cash basis and budget laws of the State of Kansas as prescribed by KMAAG as described in note 1.

Change in Accounting Principle

As discussed in note 1 to the financial statement, management has changed its policy for utility accounts receivable in 2012. Our opinion is not modified with respect to that matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement. The schedule of expenditures - actual and budget, individual fund schedules of cash receipts and expenditures - actual and budget, and the schedule of cash receipts and expenditures - related municipal entity (schedules 1 through 3, as listed in the table of contents) are presented for additional analysis and are not a required part of the financial statement. Such information is the responsibility of management and the supplementary information was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement taken as a whole on the basis of accounting described in note 1.



Certified Public Accountants

Hutchinson, Kansas
May 18, 2013

CITY OF HESSTON, KANSAS
 SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -
 REGULATORY BASIS
 For Year Ended December 31, 2012

Statement 1
 Page 1 of 2

Funds	Beginning Unencumbered Cash Balance	Adjust beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General fund	\$ 1,017,254	\$ (819)	\$ 1,853,751	\$ 1,785,744	\$ 1,084,442	\$ 5,218	\$ 1,089,660
Special purpose funds							
Library	2,610	-	319,112	319,146	2,576	-	2,576
Library maintenance	43,312	-	-	18,454	24,858	-	24,858
Special highway	559,462	-	96,298	195,215	460,545	2,400	462,945
Emergency services	109,471	-	321,125	314,801	115,795	1,024	116,819
Fire equipment	256,244	-	88,869	-	345,113	-	345,113
Community service program	30,256	-	18,627	16,890	31,993	-	31,993
Capital improvement	192,614	-	100,000	64,394	228,220	-	228,220
Equipment reserve	458,247	-	146,480	77,528	527,199	-	527,199
Economic development	96,383	-	44,480	46,106	94,757	-	94,757
Special parks	569	-	257	125	701	-	701
Revolving loan	95,862	-	49,778	91,800	53,840	-	53,840
Bond and interest fund							
Bond and interest	210,257	-	458,641	439,872	229,026	-	229,026
Capital projects	(1,420)	-	-	54,690	(56,110)	-	(56,110)
Public Building Commission	65,027	-	63,165	63,165	65,027	-	65,027
Business funds							
Utilities	3,206,572	(421,188)	3,429,652	2,887,225	3,327,811	7,843	3,335,654
Utility deposits	-	-	-	-	-	53,779	53,779
Utility maintenance reserve	1,135,035	-	225,000	89,362	1,270,673	-	1,270,673
Golf course	35,469	(719)	42,121	33,708	43,163	-	43,163
Golf course maintenance reserve	106,420	-	79,761	62,880	123,301	-	123,301
Water tower project	121,737	-	50,000	113,249	58,488	-	58,488
TOTAL PRIMARY GOVERNMENT	7,741,381	(422,726)	7,387,117	6,674,354	8,031,418	70,264	8,101,682
Related municipal entity							
Hesston Public Library	66,376	-	222,620	218,087	70,909	-	70,909
TOTAL REPORTING ENTITY	\$ 7,807,757	\$ (422,726)	\$ 7,609,737	\$ 6,892,441	\$ 8,102,327	\$ 70,264	\$ 8,172,591

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

CITY OF HESSTON, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -
REGULATORY BASIS
For Year Ended December 31, 2012Statement 1
Page 2 of 2

COMPOSITION OF CASH

Checking accounts	
Citizen State Bank, Hesston, Kansas	\$ 8,101,422
Petty cash	260
Related municipal entity	
Hesston Public Library	<u>70,909</u>
TOTAL COMPOSITION OF CASH	<u>\$ 8,172,591</u>

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

CITY OF HESSTON, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Hesston, Kansas (the City), is a municipal corporation governed by an elected mayor and five-member council. This financial statement presents the City of Hesston (the municipality) and its related municipal entity, the Hesston Public Library. The related municipal entity discussed below is included in the City's reporting entity because of its operational or financial relationship with the City.

Related Municipal Entity

The Hesston Public Library is governed by a board, all appointees of which are approved by the City Mayor. The library is not a separate taxing entity under Kansas statutes, and the City levies taxes for the library operation, which represents a significant portion of its total revenues.

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.

Kansas Municipal Audit and Accounting Guide Regulatory Basis of Presentation Fund Definitions

The following types of funds comprise the financial activities of the City for the year of 2012:

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

Special purpose 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.

Capital project funds – to account for the financial resources segregated for the acquisition or construction of major capital facilities and improvements.

Bond and interest funds – to account for the accumulation of resources for and the payment of, interest and principal on general long-term debt.

Business 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) 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.

Regulatory Basis of Accounting and Departures from Generally Accepted Accounting Principles

The regulatory basis of account as prescribed in the Kansas Municipal Audit and Accounting Guide (KMAAG) involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and reporting the changes in unencumbered cash and investments of a fund resulting from the regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities, or deferred inflows or outflows other than those mentioned above.

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

Change in Accounting Principle

As a result of the issuance of the 2013 KMAAG, utility accounts receivables are not included in the definition of cash under the regulatory basis of accounting. Accordingly, the beginning unencumbered cash balance has been reduced by \$422,726, and 2012 cash receipts were increased by \$112,269.

Interest Income

Unless otherwise designated, all investment income is credited to the general fund.

Use of Estimates

The process of preparing the financial statement requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statement. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reimbursed Expenditures

The City's records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

Budgets

Kansas statutes require that an annual operating budget be legally adopted for all funds (including debt service and enterprise funds) unless exempted by specific statute. The statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time.

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.

All legal annual operating budgets are prepared using the regulatory 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 equipment and building reserve funds, special law enforcement fund, public building commission fund, and capital projects funds.

Spending in funds which are not subject to the legal annual operating budget requirement are maintained by the review and internal appropriation process established by management.

Taxes levied to finance the budget become a lien against all property November 1. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20 and May 10. These taxes are made available to the City after January 1 and are distributed by the County Treasurer generally in the months of January and June. Delinquent tax collections are distributed throughout the year.

NOTE 2—DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is used by all funds. Each fund's portion of this pool is displayed on the summary of cash receipts, expenditures, and unencumbered cash. The cash balances of certain funds are restricted as to their use.

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 and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

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

Concentration of Credit Risk

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2012.

Deposits

At December 31, 2012, the carrying amount of the City's deposits was \$8,101,422. The bank balance was \$8,111,307. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining \$7,861,307 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

At December 31, 2012, the carrying amount of the component unit deposits, including certificates of deposit, was \$70,909. The bank balance was \$85,933, which was covered by FDIC insurance. The bank balance was held by one bank resulting in a concentration of credit risk.

NOTE 3—LONG-TERM DEBT

Terms for long-term liabilities for the City for the year ended December 31, 2012, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>
General obligation bonds				
Series 2002B	1.700% to 4.800%	11/01/02	\$ 338,716	12/01/23
Series 2004A	2.500% to 4.700%	07/01/04	658,000	09/01/25
Series 2006A	3.700% to 4.400%	09/01/06	1,278,000	09/01/26
Series 2007A	3.630% to 4.200%	05/17/07	1,754,000	09/01/27
Series 2009	3.000% to 4.850%	11/15/09	1,621,000	08/01/30
Public Building Commission Series 2010	1.500% to 4.750%	03/01/10	855,000	09/01/30
Capital leases				
Restaurant	3.660%	09/13/01	495,000	12/01/14
Automatic meter reader	6.348%	12/15/05	165,715	12/15/15
KDHE loan				
KPWSLF project #2495	3.580%	08/31/07	1,631,806	08/31/29

Principal payments are due annually for general obligation bonds on December 1 for the series 2002 bonds, September 1 for series 2004, 2006, 2007, and 2009 bonds, and the Public Building Commission series 2010 bonds. Interest payments are due semi-annually on June 1 and December 1 for the series 2002 bonds, March 1 and September 1 for the series 2004, 2006, 2007, and 2009 bonds, and the Public Building Commission series 2010 bonds. Principal and interest payments are due semi-annually on February 1 and August 1 for the KDHE loan.

Conduit Debt

The City has issued Industrial Revenue Bonds not directly obligated by the City. The total amount outstanding at December 31, 2012, was \$158,010,545 for the Industrial Revenue Bonds. These bonds do not constitute an indebtedness or pledge of the faith and credit of the City.

Changes in long-term debt for the City for the year ended December 31, 2012, were as follows:

Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General obligation bonds					
Series 2002B	\$ 220,000	\$ -	\$ 20,000	\$ 200,000	\$ 9,391
Series 2004A	395,000	-	50,000	345,000	16,413
Series 2006A	1,045,000	-	50,000	995,000	43,933
Series 2007A	1,525,000	-	70,000	1,455,000	59,940
Series 2009	1,621,000	-	51,000	1,570,000	69,195
Public Building Commission Series 2010	845,000	-	30,000	815,000	33,165
Capital leases					
Restaurant	167,911	-	53,938	113,973	5,247
Automatic meter reader	78,681	-	17,893	60,788	4,642
KDHE loan					
KPWSLF project #2495	1,463,288	-	61,408	1,401,880	51,842
Total bonded indebtedness	<u>\$ 7,360,880</u>	<u>\$ -</u>	<u>\$ 404,239</u>	<u>\$ 6,956,641</u>	<u>\$ 293,768</u>

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

	Principal			Interest			Total Principal and Interest
	General Obligation Bonds	Capital Leases	Other Debt	General Obligation Bonds	Capital Leases	Other Debt	
2013	\$ 290,000	\$ 74,974	\$ 63,626	\$ 223,009	\$ 6,746	\$ 49,622	\$ 707,977
2014	295,000	78,265	65,925	212,986	3,455	47,325	702,956
2015	300,000	21,522	68,306	202,759	1,014	44,943	638,543
2016	270,000	-	70,772	191,963	-	42,477	575,212
2017	285,000	-	73,329	181,778	-	39,920	580,027
2018-2022	1,460,000	-	408,343	728,953	-	157,905	2,755,201
2023-2027	1,930,000	-	487,612	361,220	-	78,634	2,857,466
2028-2032	550,000	-	163,967	53,711	-	5,903	773,581
	<u>\$ 5,380,000</u>	<u>\$ 174,761</u>	<u>\$ 1,401,880</u>	<u>\$ 2,156,379</u>	<u>\$ 11,215</u>	<u>\$ 466,729</u>	<u>\$ 9,590,963</u>

Included in other debt above are principal and interest payments on the KDHE loan.

NOTE 4—REVOLVING LOANS

The City has a revolving loan fund to loan money to local businesses. Balances of note receivables at year end are as follows:

<u>Date of Loan</u>	<u>Company</u>	<u>Original Loan Amount</u>	<u>Interest Rate</u>	<u>Original Terms in Years</u>	<u>Balance Due at 12/31/12</u>
2009	Anytime Tone and Tan	\$ 85,000	3.00%	10 Years	\$ 44,810
2009	Panda Kitchen	25,000	3.00%	10 Years	16,569
2007	Everybody Shop	10,000	6.25%	5 Years	2,374
2006	Hesston Chiropractic	40,000	5.75%	10 Years	13,910
2004	Hesston Hospitality, L.L.C.	100,000	3.00%	10 Years	-
2012	Scoops, LLC	56,800	3.00%	10 Years	53,933
2012	Hesston Hospitality, L.L.C.	35,000	3.00%	10 Years	34,750
					<u>\$ 166,346</u>

NOTE 5—INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General fund	Capital improvement fund	K.S.A. 12-1,118	\$ 50,000
Utility fund	Utility maintenance reserve fund	K.S.A. 12-825d	225,000
Utility fund	Capital improvement	K.S.A. 12-825d	50,000
Utility fund	Water tower project fund	K.S.A. 12-1,117	50,000
Utility fund	EMS	K.S.A. 12-825d	25,000
Utility fund	Golf maintenance reserve	K.S.A. 12-825d	50,000
General fund	Equipment reserve fund	K.S.A. 12-1,117	100,000
General fund	Public Building Commission	K.S.A. 12-1,118	63,165
Emergency services fund	Equipment reserve fund	K.S.A. 12-1,117	25,000
			<u>\$ 638,165</u>

NOTE 6—DEFERRED COMPENSATION PLAN

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. City contributions to the plan for 2012 were \$17,082.

NOTE 7—RISK MANAGEMENT

The City is subject to certain risks such as torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from third parties. There have been no significant reductions in insurance coverage from the prior year, and there have been no settled claims in excess of insurance coverage for the prior three years.

NOTE 8—CONCENTRATIONS

Two customers account for approximately 60% of the City's utility fund revenue.

NOTE 9—DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law established and amends benefit provisions. KPERS issues a publicly available financial report that includes the financial statement and the required supplementary information. That report may be obtained by writing to KPERS 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803, or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4.00% of covered salary for Tier 1 members and at 6.00% of covered salary for Tier 2 members.

The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for 2012 was 8.34%; except for the period from April 1, 2012 through June 30, 2012, when the rate was 7.34%.

The City employer contributions to KPERS for the years ended December 31, 2012, 2011, and 2010, were \$114,595, \$100,730, and \$91,048, respectively, equal to the statutory required contributions for each year.

NOTE 10—OTHER LONG TERM LIABILITIES

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Compensated Absences

The City's policies regarding vacation and sick leave permit employees to accumulate a maximum of 20 days vacation and 120 days sick leave. Policies prohibit payment of vacation time in lieu of time off and all accumulated vacation pay is payable upon employment termination. Policy prohibits payment of unused sick pay upon termination by the City.

Operating Lease

The City entered into an operating lease with GE Capital Solutions for 50 electric golf carts. The lease began on February 20, 2012. The loan is a 48 month loan with \$3,500 due monthly and an interest rate of 0.00%. The City has signed an agreement with Blue Tee Management, LLC to sublease these golf carts.

NOTE 11—OTHER COMMITMENTS

At December 31, 2012, the City had committed to issuing refunding GO bonds not to exceed \$1.9 million and had applied for a \$2.3 million dollar loan with KDHE to finance wastewater system improvements. During the first quarter of 2013, the City issued the GO Bonds and signed a loan agreement with KDHE.

CITY OF HESSTON, KANSAS

SCHEDULE OF EXPENDITURES - REGULATORY BASIS (ACTUAL AND BUDGET)
(BUDGETED FUNDS ONLY)

For Year Ended December 31, 2012

Schedule 1

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General	\$ 2,870,514	\$ -	\$ 2,870,514	\$ 1,785,744	\$ (1,084,770)
Library	182,508	143,609	326,117	319,146	(6,971)
Special highway	517,781	-	517,781	195,215	(322,566)
Emergency services	390,635	-	390,635	314,801	(75,834)
Fire equipment	342,200	-	342,200	-	(342,200)
Community service program	48,675	-	48,675	16,890	(31,785)
Economic development	172,519	-	172,519	46,106	(126,413)
Special parks	3,757	-	3,757	125	(3,632)
Bond and interest	688,808	-	688,808	439,872	(248,936)
Utilities	6,166,314	-	6,166,314	2,887,225	(3,279,089)
Golf course	42,976	-	42,976	33,708	(9,268)
Water tower project	235,986	-	235,986	113,249	(122,737)

CITY OF HESSTON, KANSAS

GENERAL FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2012

Schedule 2
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	2012		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Taxes			
Ad valorem property tax	\$ 594,874	\$ 605,502	\$ (10,628)
16/20M vehicle tax	1,536	1,416	120
Back tax collections	7,767	5,000	2,767
Recreation vehicle tax	659	935	(276)
Motor vehicle tax	70,033	66,342	3,691
Sales tax	616,055	630,000	(13,945)
Alcohol tax	257	1,500	(1,243)
	<u>1,291,181</u>	<u>1,310,695</u>	<u>(19,514)</u>
Total taxes			
Licenses, fees, and permits			
Utility franchise tax	355,173	260,000	95,173
Miscellaneous permits and licenses	25,151	29,350	(4,199)
	<u>380,324</u>	<u>289,350</u>	<u>90,974</u>
Total licenses, fees, and permits			
Other receipts			
Fines, forfeitures, and penalties	37,321	40,500	(3,179)
Interest on idle funds	6,457	12,000	(5,543)
Reimbursed expenses	87,300	39,300	48,000
Miscellaneous	6,521	12,500	(5,979)
Operating transfers in	-	150,000	(150,000)
In lieu of taxes	11,647	-	11,647
Lease revenues	33,000	30,750	2,250
	<u>182,246</u>	<u>285,050</u>	<u>(102,804)</u>
Total other receipts			
TOTAL CASH RECEIPTS	<u>1,853,751</u>	<u>\$ 1,885,095</u>	<u>\$ (31,344)</u>
EXPENDITURES			
General government			
General administration	120,923	\$ 124,659	\$ (3,736)
Legal service and engineering	11,663	13,000	(1,337)
Audit	14,595	13,750	845
	<u>147,181</u>	<u>151,409</u>	<u>(4,228)</u>
Total general government			
Public safety			
Police	617,072	637,273	(20,201)
Fire	109,223	121,372	(12,149)
Municipal court	31,543	34,500	(2,957)
	<u>757,838</u>	<u>793,145</u>	<u>(35,307)</u>
Total public safety			

CITY OF HESSTON, KANSAS

GENERAL FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2012

Schedule 2
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	2012		Variance Over (Under)
	Actual	Budget	
EXPENDITURES (CONTINUED)			
Highways and streets			
Streets	\$ 313,660	\$ 311,111	\$ 2,549
Street lighting	44,652	40,000	4,652
Total highways and streets	<u>358,312</u>	<u>351,111</u>	<u>7,201</u>
Culture and recreation			
Park	177,593	186,204	(8,611)
Cemetery	1,052	500	552
Tree board	2,860	5,000	(2,140)
Employee functions	2,681	5,000	(2,319)
Total culture and recreation	<u>184,186</u>	<u>196,704</u>	<u>(12,518)</u>
Economic development			
Harvey County EDC	20,215	20,215	-
Community development	-	5,000	(5,000)
Chamber of Commerce	31,363	30,000	1,363
Lease/purchase restaurant building	73,484	65,315	8,169
Total economic development	<u>125,062</u>	<u>120,530</u>	<u>4,532</u>
Capital improvements	-	994,450	(994,450)
Transfers out	213,165	263,165	(50,000)
TOTAL EXPENDITURES	<u>1,785,744</u>	<u>\$ 2,870,514</u>	<u>\$ (1,084,770)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	68,007		
UNENCUMBERED CASH, BEGINNING	<u>1,016,435</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 1,084,442</u>		

CITY OF HESSTON, KANSAS

LIBRARY FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2012

Schedule 2
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	2012		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Ad valorem property tax	\$ 149,858	\$ 152,473	\$ (2,615)
16/20M vehicle tax	501	453	48
Back tax collections	2,536	1,200	1,336
Recreation vehicle tax	210	299	(89)
Motor vehicle tax	22,398	21,197	1,201
Reimbursed expenses	143,609	-	143,609
TOTAL CASH RECEIPTS	<u>319,112</u>	<u>\$ 175,622</u>	<u>\$ 143,490</u>
EXPENDITURES			
Appropriations to library board	175,618	\$ 175,618	\$ -
Appropriations of fund reserve	-	6,890	(6,890)
Payroll and insurance	143,528	-	143,528
	319,146	182,508	136,638
Adjustment for qualifying budget credit	-	143,609	(143,609)
TOTAL EXPENDITURES	<u>319,146</u>	<u>\$ 326,117</u>	<u>\$ (6,971)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(34)		
UNENCUMBERED CASH, BEGINNING	<u>2,610</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 2,576</u>		

CITY OF HESSTON, KANSAS
SPECIAL HIGHWAY FUND
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2012

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	2012		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
State payments	\$ 96,298	\$ 100,990	\$ (4,692)
EXPENDITURES			
Service contracts	12,450	\$ -	\$ 12,450
Paving and materials	15,952	30,000	(14,048)
Street improvements	155,869	482,781	(326,912)
Sidewalk improvements	10,624	5,000	5,624
Reimbursed expenses	320	-	320
TOTAL EXPENDITURES	195,215	\$ 517,781	\$ (322,566)
RECEIPTS OVER (UNDER) EXPENDITURES	(98,917)		
UNENCUMBERED CASH, BEGINNING	559,462		
UNENCUMBERED CASH, ENDING	\$ 460,545		

CITY OF HESSTON, KANSAS
 EMERGENCY SERVICES FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2012

Schedule 2
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	2012		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Intergovernmental	\$ 102,639	\$ 100,000	\$ 2,639
Charges for services	187,539	160,000	27,539
Operating transfers in	25,000	25,000	-
Miscellaneous	2,125	1,625	500
Reimbursed expenses	3,822	-	3,822
TOTAL CASH RECEIPTS	321,125	\$ 286,625	\$ 34,500
EXPENDITURES			
Personal services	226,250	\$ 225,723	\$ 527
Contractual services	35,275	29,700	5,575
Commodities	24,865	29,750	(4,885)
Capital outlay	891	105,462	(104,571)
Operating transfers out	25,000	-	25,000
Miscellaneous	2,520	-	2,520
TOTAL EXPENDITURES	314,801	\$ 390,635	\$ (75,834)
RECEIPTS OVER (UNDER) EXPENDITURES	6,324		
UNENCUMBERED CASH, BEGINNING	109,471		
UNENCUMBERED CASH, ENDING	\$ 115,795		

CITY OF HESSTON, KANSAS

FIRE EQUIPMENT FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2012

Schedule 2
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	2012		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Ad valorem property tax	\$ 35,696	\$ 36,322	\$ (626)
16/20M vehicle tax	119	108	11
Back tax collections	605	350	255
Recreational vehicle tax	50	71	(21)
Motor vehicle tax	5,336	5,049	287
Service agreements	47,063	47,063	-
TOTAL CASH RECEIPTS	88,869	\$ 88,963	\$ (94)
EXPENDITURES			
Capital outlay	-	\$ 342,200	\$ (342,200)
RECEIPTS OVER (UNDER) EXPENDITURES	88,869		
UNENCUMBERED CASH, BEGINNING	256,244		
UNENCUMBERED CASH, ENDING	\$ 345,113		

CITY OF HESSTON, KANSAS

COMMUNITY SERVICE PROGRAM FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2012

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	2012		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Ad valorem property tax	\$ 15,905	\$ 16,183	\$ (278)
16/20M vehicle tax	53	48	5
Back tax collections	270	150	120
Recreational vehicle tax	22	32	(10)
Motor vehicle tax	2,377	2,250	127
 TOTAL CASH RECEIPTS	18,627	\$ 18,663	\$ (36)
 EXPENDITURES			
Community service grants	16,890	\$ 48,675	\$ (31,785)
 RECEIPTS OVER (UNDER) EXPENDITURES	1,737		
 UNENCUMBERED CASH, BEGINNING	30,256		
 UNENCUMBERED CASH, ENDING	\$ 31,993		

CITY OF HESSTON, KANSAS
 ECONOMIC DEVELOPMENT FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2012

Schedule 2
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	2012		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Transient guest tax	\$ 44,455	\$ 41,000	\$ 3,455
Miscellaneous	25	-	25
Transfer in	-	25,000	(25,000)
TOTAL CASH RECEIPTS	<u>44,480</u>	<u>\$ 66,000</u>	<u>\$ (21,520)</u>
EXPENDITURES			
Contractual services	42,017	\$ 51,125	\$ (9,108)
Commodities	4,089	-	4,089
Capital outlay	-	121,394	(121,394)
TOTAL EXPENDITURES	<u>46,106</u>	<u>\$ 172,519</u>	<u>\$ (126,413)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(1,626)		
UNENCUMBERED CASH, BEGINNING	<u>96,383</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 94,757</u>		

CITY OF HESSTON, KANSAS

SPECIAL PARKS FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2012

Schedule 2
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	2012		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Alcohol tax	\$ 257	<u>\$ 1,400</u>	<u>\$ (1,143)</u>
EXPENDITURES			
Capital outlay	<u>125</u>	<u>\$ 3,757</u>	<u>\$ (3,632)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	132		
UNENCUMBERED CASH, BEGINNING	<u>569</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 701</u>		

CITY OF HESSTON, KANSAS
 BOND AND INTEREST FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2012

Schedule 2
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	2012		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Ad valorem property tax	\$ 50,337	\$ 51,061	\$ (724)
16/20M vehicle tax	590	533	57
Back tax collections	2,988	1,200	1,788
Recreational vehicle tax	248	351	(103)
Motor vehicle tax	26,350	24,935	1,415
Special assessments	378,128	398,173	(20,045)
TOTAL CASH RECEIPTS	458,641	\$ 476,253	\$ (17,612)
EXPENDITURES			
Bond principal	241,000	\$ 241,000	\$ -
Interest coupons	198,868	198,868	-
Cash basis reserve	-	248,940	(248,940)
Miscellaneous	4	-	4
TOTAL EXPENDITURES	439,872	\$ 688,808	\$ (248,936)
RECEIPTS OVER (UNDER) EXPENDITURES	18,769		
UNENCUMBERED CASH, BEGINNING	210,257		
UNENCUMBERED CASH, ENDING	\$ 229,026		

CITY OF HESSTON, KANSAS

UTILITIES FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2012

Schedule 2
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	2012		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Charges for service	\$ 3,408,649	\$ 3,705,040	\$ (296,391)
Connection fees	4,804	5,500	(696)
Reimbursed expenses	1,289	-	1,289
Miscellaneous	14,910	22,500	(7,590)
TOTAL CASH RECEIPTS	<u>3,429,652</u>	<u>\$ 3,733,040</u>	<u>\$ (303,388)</u>
EXPENDITURES			
Personal services	696,797	\$ 721,700	\$ (24,903)
Contractual services	416,733	398,948	17,785
Commodities	1,318,471	1,785,250	(466,779)
Capital outlay	55,027	2,645,416	(2,590,389)
Reimbursed expenses	197	-	197
Operational fund transfers	400,000	615,000	(215,000)
TOTAL EXPENDITURES	<u>2,887,225</u>	<u>\$ 6,166,314</u>	<u>\$ (3,279,089)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	542,427		
UNENCUMBERED CASH, BEGINNING	<u>2,785,384</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 3,327,811</u>		

CITY OF HESSTON, KANSAS

GOLF COURSE FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2012

Schedule 2
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	2012		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Gas user fee	\$ 1,811	\$ 2,000	\$ (189)
Irrigation fee	39,122	30,000	9,122
Reimbursed expense	1,188	-	1,188
	<u>42,121</u>	<u>\$ 32,000</u>	<u>\$ 10,121</u>
EXPENDITURES			
Contractual services	32,519	\$ 31,750	\$ 769
Capital outlay	-	11,226	(11,226)
Reimbursed expenses	1,189	-	1,189
	<u>33,708</u>	<u>\$ 42,976</u>	<u>\$ (9,268)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	8,413		
UNENCUMBERED CASH, BEGINNING	<u>34,750</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 43,163</u>		

CITY OF HESSTON, KANSAS
 WATER TOWER PROJECT FUND
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2012

Schedule 2
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	2012		Variance Over (Under)
	Actual	Budget	
CASH RECEIPTS			
Transfer from utilities	\$ 50,000	\$ 115,000	\$ (65,000)
EXPENDITURES			
Capital outlay	-	\$ 121,986	\$ (121,986)
Loan payment	113,249	114,000	(751)
TOTAL EXPENDITURES	113,249	\$ 235,986	\$ (122,737)
RECEIPTS OVER (UNDER) EXPENDITURES	(63,249)		
UNENCUMBERED CASH, BEGINNING	121,737		
UNENCUMBERED CASH, ENDING	\$ 58,488		

CITY OF HESSTON, KANSAS
 BUSINESS NONBUDGETED FUNDS
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 For Year Ended December 31, 2012

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	Utility Maintenance Reserve	Golf Course Maintenance Reserve
CASH RECEIPTS		
Operational transfers in	\$ 225,000	\$ 50,000
Grants	-	29,405
Miscellaneous	-	356
	<u>225,000</u>	<u>79,761</u>
EXPENDITURES		
Equipment	2,974	-
Service contracts	-	4,803
Supplies	-	29,681
Grant	-	18,545
Maintenance	86,388	9,851
	<u>89,362</u>	<u>62,880</u>
RECEIPTS OVER (UNDER) EXPENDITURES	135,638	16,881
UNENCUMBERED CASH, BEGINNING	<u>1,135,035</u>	<u>106,420</u>
UNENCUMBERED CASH, ENDING	<u>\$ 1,270,673</u>	<u>\$ 123,301</u>

CITY OF HESSTON, KANSAS

SPECIAL PURPOSE NONBUDGETED FUNDS
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 For Year Ended December 31, 2012

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	<u>Revolving Loan</u>	<u>Public Building Commission</u>	<u>Library Maintenance</u>	<u>Capital Improvement</u>	<u>Equipment Reserve</u>
CASH RECEIPTS					
Miscellaneous	\$ -	\$ 63,165	\$ -	\$ -	\$ 21,480
Lease payments	49,778	-	-	-	-
Operating transfers in	-	-	-	100,000	125,000
TOTAL CASH RECEIPTS	<u>49,778</u>	<u>63,165</u>	<u>-</u>	<u>100,000</u>	<u>146,480</u>
EXPENDITURES					
Capital outlay	-	-	18,454	64,394	77,528
Contractual services	91,800	-	-	-	-
Debt service	-	63,165	-	-	-
TOTAL EXPENDITURES	<u>91,800</u>	<u>63,165</u>	<u>18,454</u>	<u>64,394</u>	<u>77,528</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(42,022)	-	(18,454)	35,606	68,952
UNENCUMBERED CASH, BEGINNING	<u>95,862</u>	<u>65,027</u>	<u>43,312</u>	<u>192,614</u>	<u>458,247</u>
UNENCUMBERED CASH, ENDING	<u>\$ 53,840</u>	<u>\$ 65,027</u>	<u>\$ 24,858</u>	<u>\$ 228,220</u>	<u>\$ 527,199</u>

CITY OF HESSTON, KANSAS

CAPITAL PROJECTS NONBUDGETED FUNDS
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 For Year Ended December 31, 2012

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	<u>WWTP</u>	<u>Windover II</u>	<u>Total</u>
CASH RECEIPTS	\$ -	\$ -	\$ -
EXPENDITURES	<u>(54,690)</u>	<u>-</u>	<u>(54,690)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(54,690)	-	(54,690)
UNENCUMBERED CASH, BEGINNING	<u>-</u>	<u>(1,420)</u>	<u>(1,420)</u>
UNENCUMBERED CASH, ENDING	<u>\$ (54,690)</u>	<u>\$ (1,420)</u>	<u>\$ (56,110)</u>

CITY OF HESSTON, KANSAS

HESSTON PUBLIC LIBRARY - RELATED MUNICIPAL ENTITY
 SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 For Year Ended December 31, 2012

	Schedule 3
	<u>Actual</u>
CASH RECEIPTS	
City appropriations	\$ 175,618
Fines and donations	10,223
Grants	32,123
Miscellaneous	4,415
Interest	<u>241</u>
TOTAL CASH RECEIPTS	<u>222,620</u>
EXPENDITURES	
Buildings	25,114
Equipment	26,525
Operations	4,428
Payroll	140,074
Program	5,864
Utilities	9,742
Postage	2,267
Training	365
Miscellaneous	<u>3,708</u>
TOTAL EXPENDITURES	<u>218,087</u>
RECEIPTS OVER (UNDER) EXPENDITURES	4,533
UNENCUMBERED CASH, BEGINNING	<u>66,376</u>
UNENCUMBERED CASH, ENDING	<u><u>\$ 70,909</u></u>