

City of Wellington, Kansas

Annual Financial Report

December 31, 2011

City Manager
Gus Collins

City Clerk/Finance Director
Shane Shields

Kenneth L Cooper Jr CPA, Chtd.
Certified Public Accountant
Wellington, Kansas

City of Wellington, Kansas
Statutory Basis Financial Statement
Year Ended December 31, 2011

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City of Wellington, Kansas

Statutory Basis Financial Statement

Year Ended December 31, 2011

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KENNETH L COOPER JR CPA, CHTD
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Wellington
Wellington, Kansas

I have audited the accompanying primary government summary statement of cash receipts, expenditures and unencumbered cash balances of the City of Wellington, Kansas, as of and for the year ended December 31, 2011. This financial statement is the responsibility of the City of Wellington's management. My responsibility is to express an opinion on this financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The financial statement does not include financial data for the City's legally separate, discretely presented component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles, the cash and unencumbered cash, revenues received and expenditures incurred by the aggregate discretely presented component units have been omitted from this statement, and although not reasonably determinable, are presumed to be material.

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

principles generally accepted in the United States of America, the financial position of the City as of December 31, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated June 26, 2012 on my consideration of the City of Wellington's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming an opinion on the 2011 primary government financial statement. The summary of expenditures-actual and budget, individual fund schedules of cash receipts and expenditures-actual and budget, schedule of cash receipts and cash disbursements-agency funds (Schedules 1, 2, 3, 7 and 8 as listed in the table of contents) are presented for analysis and are not a required part of the statutory financial statements. The accompanying Schedule of Expenditures of Federal Awards (Schedule 4) is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the primary government financial statement. Such information is the responsibility of management and the 2011 supplementary information was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statement. The 2011 information has been subjected to the auditing procedures applied in the audit of the 2011 primary government financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statement or to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the 2011 primary government financial statement taken as a whole. The City of Wellington, Kansas' responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs and have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

The 2010 Actual columns presented in the individual fund schedules of cash receipts and expenditures-actual and budget are also presented for comparative analysis and are not a required part of the 2010 financial statements upon which I rendered an unqualified opinion dated July 22, 2011. The 2010 financial statements and my accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such 2010 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 financial statements. The 2010 comparative information was subjected to the auditing procedures applied in the audit of the 2010 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2010 financial statement or to the 2010 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the 2010 comparative information is fairly stated in all material respects in relation to the 2010 financial statements as a whole.


Certified Public Accountant

June 26, 2012

KENNETH L COOPER JR CPA, CHTD
Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Mayor and City Council
City of Wellington, Kansas

I have audited the primary government financial statement prepared on the prescribed basis of accounting of the City of Wellington, Kansas as of and for the year ended December 31, 2011, and have issued my report thereon dated June 26, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*.

Internal Control Over Financial Reporting

Management of the City of Wellington, Kansas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the City of Wellington, Kansas' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Wellington, Kansas' internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Wellington, Kansas' internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wellington, Kansas' financial statement are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with

which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the City of Wellington, Kansas in a separate letter dated June 26, 2012.

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


Certified Public Accountant

June 26, 2012

KENNETH L COOPER JR CPA, CHTD
Certified Public Accountant

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

Mayor and City Council
City of Wellington, Kansas

Compliance

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

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

In my opinion, the City of Wellington, Kansas, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-1.

Internal Control Over Compliance

Management of the City of Wellington, Kansas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts,

and grants applicable to federal programs. In planning and performing my audit, I considered the City of Wellington, Kansas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Wellington, Kansas' internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be *material weaknesses*, as defined above. However, I identified a deficiency in internal control over compliance that I consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Wellington, Kansas' response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the City of Wellington, Kansas' response and, accordingly, I express no opinion on the response.

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


Certified Public Accountant

June 26, 2012

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

<u>Funds</u>	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General	\$ 1,243,620	\$ 43,625	\$ 7,476,369	\$ 6,617,561	\$ 2,146,053	\$ 174,472	\$ 2,320,525
Special Revenue Funds:							
Ambulance & Fire Fighting Equip	23,883	-	63,256	73,282	13,857	-	13,857
Library	12,506	-	173,693	184,742	1,457	-	1,457
Permanent Cemetery Endowment	116,963	-	4,727	401	121,289	-	121,289
Special City Highway	10,668	-	206,966	197,937	19,697	-	19,697
Special Alcohol and Drug	3,501	-	11,288	11,550	3,239	2,638	5,877
Special Parks & Recreation	41,292	-	11,415	10,000	42,707	10,000	52,707
Tourism and Convention	75,280	-	31,329	38,093	68,516	4,215	72,731
Emergency Shelter Grant	-	-	-	-	-	-	-
Special Liability Expense	352,642	-	292,104	298,750	345,996	3,403	349,399
Equipment Reserve	232,079	-	64,550	208,883	87,746	37,861	125,607
FEMA Grant Fund	36,636	-	-	-	36,636	-	36,636
Wellington Airport FAA Grant	-	-	26,648	40,114	(13,466)	7,596	(5,870)
Fire Insurance Proceeds	-	-	21,900	16,865	5,035	-	5,035
Hazmat Response	1,560	-	1,096	1,225	1,431	-	1,431
Fire Prevention and Education	982	-	212	1,067	127	-	127
Hospital Sales Tax Fund	-	-	283,050	283,050	-	-	-
SCCDAT Grant Fund	(17,446)	-	155,693	162,332	(24,085)	2,119	(21,966)
Debt Service Funds:							
Bond and Interest	76,155	-	1,579,917	1,559,350	96,722	238	96,960
SRMC-PBC Bond Fund	-	-	213,868	213,868	-	-	-
Capital Projects Funds:							
Special Improvements	86,888	-	279	-	87,167	-	87,167
Capital Improvements	1,202,266	7,311	1,088,107	1,427,786	869,898	560,749	1,430,647
Coyote Ridge Dev. Fund	10,767	-	-	-	10,767	-	10,767
Beaver Creek Dev. Fund	27,044	58,662	276	-	85,982	-	85,982
Public Building Commission	14,041	-	23	14,064	-	-	-
Waste Water Treatment Plant	(166,555)	31,071	113,414	4,474	(26,544)	4,474	(22,070)
H Street Sewer Fund	12,583	-	40	-	12,623	-	12,623
Hargis Creek Lift Station	(351,052)	-	333,527	2,224	(19,749)	-	(19,749)
Proprietary Funds							
Electric, Waterworks & Sewage							
Utility System Operating Fund	12,751,409	15,135	20,820,772	21,608,670	11,978,646	651,725	12,630,371
Multi Year Capital Improvement	588,761	-	981,815	606,539	964,037	110,156	1,074,193
Sanitation Utility	74,269	-	1,159,196	1,110,342	123,123	43,453	166,576
Sanitation Equipment Reserve	278,595	-	26,072	1,871	302,796	-	302,796
Municipal Golf Course	5,239	-	330,602	325,986	9,855	8,250	18,105
Golf Course Capital Improvement	21,372	-	68	-	21,440	-	21,440
Municipal Airport	187,484	-	489,385	361,009	315,860	3,199	319,059
Employee Benefit Contribution	634,698	-	1,235,569	1,130,984	739,283	-	739,283

See accompanying notes.

City of Wellington, 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	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Fiduciary Funds:							
Public Library Trust	363,299	-	1,167	1,970	362,496	609	363,105
Annie Hamilton Trust	1,597	-	5	-	1,602	-	1,602
Mildred Share McLean Trust	9,361	-	30	229	9,162	-	9,162
Mausoleum Maintenance	13,738	-	44	-	13,782	-	13,782
Regional Park Trust	78,683	-	8,071	52,795	33,959	-	33,959
Municipal Auditorium Renovation	409,472	-	1,381	34,636	376,217	-	376,217
Recreation Trust	26,639	-	50,170	50,051	26,758	-	26,758
Municipal Golf Course Trust	5,624	-	10,643	3,976	12,291	-	12,291
Ambulance Service Trust	632	-	2	-	634	-	634
Municipal Airport Trust	1,423	-	5	-	1,428	-	1,428
Nichols Family Trust	1,619	-	280	551	1,348	24	1,372
Drug Tax Distribution Trust	5,257	-	1,483	-	6,740	-	6,740
Cemetery Beautification Trust	6,268	-	561	-	6,829	-	6,829
Cara Saunders Memorial Trust	485	-	2	-	487	-	487
Drug Awareness Trust	7,705	-	10,250	11,338	6,617	-	6,617
Housing Authority Reserve	172,820	-	200	20,457	152,563	-	152,563
Law Enforcement Trust	2,398	-	2,008	2,766	1,640	-	1,640
Employee Community Service	72	-	170	-	242	-	242
Total	<u>\$ 18,695,221</u>	<u>\$ 155,804</u>	<u>\$ 37,283,698</u>	<u>\$ 36,691,788</u>	<u>\$ 19,442,936</u>	<u>\$ 1,625,181</u>	<u>\$ 21,068,117</u>
Composition of Cash Balance:							
Cash in checking account:							
Security State Bank, Wellington, KS							\$ 186
Bank of Commerce, Wellington, KS							(116,412)
Bank of Commerce Employee Benefit account, Wellington, KS							739,283
Bank of Commerce Public Bldg Commission account, Wellington, KS							-
First National Bank, Wellington, KS							10
Security State Bank, Utility Petty cash account, Wellington, KS							3,000
Cornerbank Employee Benefit account, Wellington, KS							(23)
Cash in savings account:							
Cornerbank, Wellington, KS							10
Bank of Commerce, Wellington, KS							4,098,024
Cash on hand							1,750
Investments							
Certificates of deposit, First National Bank, Wellington, KS							1,250,000
Certificates of deposit, Bank of Commerce, Wellington, KS							250,000
Certificates of deposit, CornerBank, Wellington, KS							1,700,000
Edward Jones-US Government Money Fund							1
Edward Jones-US Treasury Notes and Bonds							5,691,795
State of Kansas Municipal Investment Pool							<u>7,465,783</u>
Total Cash and investments							21,083,407
Agency Funds per Schedule 3							<u>(15,290)</u>
Total Primary Government (Excluding Agency Funds)							<u>\$ 21,068,117</u>

City of Wellington, Kansas
Notes to Financial Statement
December 31, 2011

1. Summary of Significant Accounting Policies

The City of Wellington, Kansas ("City") was incorporated in 1872. The City operates under a Council-Manager form of government and provides the following services: Public Safety-Police, Fire and Emergency Medical Services, Highways and Streets, Culture-Recreation, Public Improvements, Planning and Zoning, Utilities-Electric, Water, Sewer and Refuse, and General Administrative Service.

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas.

A. Financial reporting entity

The financial reporting entity concept and criteria for determining that entity have been set forth in *Governmental Accounting Standards Board Statement 14* (GASB 14). GASB 14 states that the financial statement of the reporting entity should provide an overview of the entity based on financial accountability, yet allow users to distinguish between the statements of the primary government and its component units. The primary government is generally the focal point for users of the financial statement. A primary government is any state government or general purpose local government that meets all of the following criteria: (1) It has a separately elected governing body, (2) It is legally separate and (3) it is fiscally independent of other state and local governments. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable.

The City, as the primary government, has determined what organizations meet the criteria of GASB 14 as its component units. It has not included any of those component units in this financial statement, except for the Public Building Commission, which as a blended component unit is reported as a fund of the City. The Public Building Commission has issued revenue bonds which were used to fund improvements for Sumner Regional Medical Center. The bonds are being retired as rent is paid to the City by SRMC. The capital project and debt service funds of the Public Building Commission have been blended into the financial statements of the City.

The component units of the City, which qualify to be included in the financial reporting entity discretely, are as follows:

The **Wellington Public Library Board**, defined as a separate legal entity by applicable state statutes, provides public library facilities to the citizens of Wellington and the surrounding area. As provided by state statutes, resources required for the financing of the library are provided by a tax levy, included on the City's budget, and the City may also appropriate other monies as are necessary to the Library. The Library also receives other financing sources independent of the City. The Library is a governmental type component unit, which reports its activities on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. In addition, the Library does not maintain records of its general fixed assets or general long-term debt account groups. Financial statements of this component unit can be found at Appendix A of this comprehensive financial report.

The **Sumner Regional Medical Center** of the City of Wellington is a separate legal entity which is governed by a separate board appointed by the City Council. It provides primary hospital care for citizens of Wellington and the surrounding area. Since it is unable to levy its own taxes or issue its own bonded debt, it is considered to be fiscally dependent upon the City according to GASB 14. Financial statements of this component unit can be found at Appendix B of this financial report.

City of Wellington, Kansas
Notes to Financial Statement
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

The **Wellington Public Housing Authority**, a separate legal entity, provides federally subsidized public housing to the citizens of Wellington and surrounding area. Its members are appointed by the City and any bonded debt must be issued through the City, making it fiscally dependent upon the City according to GASB 14. However, the Board is totally financially self-sufficient and receives no funds from the City. The Public Housing Authority prepares its financial statements in a form prescribed by the Department of Health and Urban Development (HUD), which is a comprehensive basis of accounting that differs from generally accepted accounting principles. Financial statements of this component unit may be obtained directly from the office of the Public Housing Authority in Wellington, Kansas.

B. Fund accounting

In governmental 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 attaining certain objectives in accordance with special regulations, restrictions or limitations.

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

Governmental Funds

General fund--the general operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Fund-- to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted, by law or administrative action, to expenditures for specified purposes.

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

Capital Project Funds--to account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by enterprise funds.

Proprietary Funds

Enterprise Funds--to account for operations that (a) 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 (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

City of Wellington, Kansas
Notes to Financial Statement
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

B. Fund accounting (continued)

Internal Service Funds--to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis.

Fiduciary Funds--to account for assets held by the City in a trustee capacity or as an agent for others. These include expendable trust funds, nonexpendable trust funds and agency funds. Nonexpendable and expendable trust funds are accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of this statutory basis financial statement, 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 is charged in the fund from which the transfer is made.

Departure from Accounting Principles Generally Accepted in the United States

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, 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 may 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 statement. Infrastructure assets such as streets and bridges are also not presented. General long-term debt such as general obligation bonds, temporary notes, and compensated absences are not integrated into the financial statement, but are presented in these notes.

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

The City also issues separate financial statements for its Electric, Waterworks and Sewage Fund prepared in conformity with accounting principles generally accepted in the United States of America. A copy of these financial statements may be obtained by contacting the City Clerk.

City of Wellington, Kansas
Notes to Financial Statement
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

D. Budgets and Budgetary Accounting

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

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

The statutes allow for the 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 was one budget amendments for 2011 to increase the legal budget of the Municipal Airport Fund.

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, the legal level of budgetary control. In addition, expenditures for line items within a budget may be legally exceeded without approval of the governing body.

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 commitments, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the budget has been adjusted when necessary to show compliance with the budget law.

A legal operating budget is not required for capital projects funds, trust funds, and the following special revenue funds: Permanent Cemetery Endowment, Special Liability Expense, Equipment Reserve, Fire Insurance Proceeds, Emergency Shelter Grant, Wellington Airport FAA Grant, FEMA Grant Fund, Hazmat Response, Fire Prevention and Education and SCCDAT Grant Fund. 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 Wellington, Kansas
Notes to Financial Statement
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

E. Post-Employment Health Care Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured before the month of actual coverage. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the City under this program. For eligible retirees, healthcare benefits are extended until the retiree becomes eligible for Medicare or is eligible to be covered by a plan through another employer. The monthly premium contribution for a retiree participating in the City's health insurance plan is the amount as the total cost of the benefits as if the retiree was still a City employee. Dependents of retirees are eligible for coverage to the same extent as for current employees, as defined in the City's current group health care benefit plan. The spouse of a retiree who has died or reached Medicare eligibility may retain coverage under the City program until the spouse of the retiree reaches Medicare eligibility, remarries, or becomes eligible for coverage through another employer, but must contribute the entire premium amount. The liability and expense for this benefit has not been actuarially computed as required by GASB 45, and have not been included in this financial statement. Expenditures are reported on a pay-as-you-go basis. Benefits paid during 2011 and 2010 totaled \$75,428 and \$64,702 with nine eligible employees receiving benefits at the end of 2011 and nine at the end of 2010.

F. 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 of such temporary notes. Temporary notes outstanding may be retired from the proceeds of the sale of new temporary notes and general obligation bonds, receipt of federal funds, or from any other source.

G. Compensated absences

The City's policies regarding vacations permit employees to carryover a maximum of five days of prior year's vacation plus the total of their current year's vacation which is credited as of the last payroll period of the year. Upon termination or resignation from service with the City, employees are entitled to payment for all accrued vacation earned prior to termination or resignation. All regular employees accumulate sick leave at the rate of 4 hours per each 80 work period. This sick leave accumulates first in a short-term sick leave account, up to a maximum of 64 hours, then into a long-term sick leave account. There is no maximum number of reserve sick leave days that may accumulate. Employees have the option of receiving one half of the balance of their short-term sick leave account in cash with their last paycheck of the year. Upon termination of employment for medical reasons, retirement, or death, an employee or the employee's beneficiary receives payment at their regular hourly rate of pay for the balance in the short and long-term sick leave accounts, up to a maximum of 104 hours.

City of Wellington, Kansas
Notes to Financial Statement
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

H. Property taxes

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

Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes. For revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Federal and State grant aid and unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

I. Property, plant and equipment

The City does not present capital fixed assets, such as land, building and equipment in this financial statement; however, it does maintain accounting records for such assets. Accounting records for public domain ("infrastructure") general fixed assets including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, which are immovable and of value only to the City have not been maintained. No depreciation has been provided on any capital assets, except for those relating to the Electric, Waterworks and Sewage Utility which are presented in the Utility's separately issued financial statements.

J. Interfund Charges

The City General Fund is used to account for various administrative functions, which are partially allocated to other funds. Utility billing and collection, financial and management services are paid through the General Fund and billed to the utility funds. These charges totaled \$856,699 and \$868,849 in 2011 and 2010, respectively.

Other charges for health care benefits are charged to appropriate funds by the Internal Service Fund each month as the benefits are purchased.

Insurance costs are paid from the Special Liability Expense Fund and reimbursed by other funds.

K. Special Assessments Receivable

Improvements to roads, sidewalks, and sewer systems are paid for in part by the landowners being benefited. They have the option to pay their share in full, before the improvement is financed by the City through issuance of general obligation bonds, or they are assessed the amount to be paid in annual installments over a period of 15 or 20 years, generally the life of the bond obligation. The City certifies to the County the amount to be levied against the landowner each year. The county collects and periodically remits the assessments to the City. The amount received is recorded in the bond and interest fund.

City of Wellington, Kansas
Notes to Financial Statement
December 31, 2011

2. Cash Deposits and Investments

As of December 31, 2011, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Unrecognized Holding Gain</u>	<u>Rating</u>
Security Description				
U.S. Treasury Notes	\$ 5,691,795	\$ 6,621,398	\$ 929,603	N/A
U.S. Treasury Money Fund of America	1	1	-	
Kansas Municipal Investment Pool	<u>7,465,783</u>	<u>7,465,783</u>	<u>-</u>	S&P AAaf/S1+
	<u>\$ 13,157,579</u>	<u>\$ 14,087,182</u>	<u>\$ 929,603</u>	
Securities Maturing:	<u>Less than 1 year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Total</u>
U.S. Treasury Notes & Fund	\$ 1,000,739.00	\$ 3,118,028.00	\$ 1,573,028.00	5,691,795
Kansas Municipal Investment Pool	<u>7,465,783</u>	<u>-</u>	<u>-</u>	<u>7,465,783</u>
	<u>\$ 8,466,522.00</u>	<u>\$ 3,118,028.00</u>	<u>\$ 1,573,028.00</u>	<u>\$13,157,578.00</u>

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main 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 banks to pledge securities for deposits in excess of FDIC coverage. The City has no investment policy 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 allowable financial institutions; US 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. The rating of the City's investments is noted above.

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. The City's allocation of investments as of December 31, 2011 is as follows:

<u>Investments</u>	<u>% of Investments</u>
U.S. Treasury Notes	43.3%
Kansas Municipal Investment Pool	56.7%

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, except during designated "peak periods" when required coverage is 50%. The City did not designate any peak periods in 2011. All deposits were legally secured at December 31, 2011.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

City of Wellington, Kansas
Notes to Financial Statement
December 31, 2011

2. Cash Deposits and Investments (continued)

At December 31, 2011 the City had invested \$7,465,783 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

3. Risk Management (Self-Insurance Fund)

In March 1993, the City began a self-insurance medical program by establishing the Employee Benefit Contribution Fund. This plan provides employee health benefits up to a \$5,000,000 in a lifetime maximum. The City purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims did not exceed the commercial coverage in the previous three years, but claims of \$478,490, \$111,477 and \$64,063 were paid by the stop-loss policy in 2011, 2010 and 2009.

All funds of the City participate in the program and make payments to the Employee Benefit Contribution Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. That reserve was \$629,354 at December 31, 2011 and is included in unencumbered cash of the Employee Benefit Contribution Fund. The claims liability of \$35,013 reported in the Fund at December 31, 2011, is based on the requirement of GASB Statement Number 10, which states that a liability for claims be reported if information prior to the issuance of the financial statement indicates that it is probable that a liability has been incurred at the date of the financial statement and the amount of the liability can be reasonably estimated. The liability at December 31, 2011 has been estimated using paid claims data from January 2012 through May 2012. The City currently does not discount its claims liability.

	<u>2011</u>	<u>2010</u>
Unpaid claims and claim adjustment expense at beginning of year	\$ 86,693	\$ 25,828
Incurred claims and claim adjustment expenses:		
Provisions for insured events of the current year	\$ 643,018	\$ 675,247
Increase in provision for insured events of prior years	-	-
Total incurred claims and claim adjustment expenses	<u>\$ 643,018</u>	<u>\$ 675,247</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	\$ 608,004	\$ 587,351
Claims and claim adjustment expenses attributable to insured events of the prior years	<u>86,694</u>	<u>27,031</u>
Total payments	<u>\$ 694,698</u>	<u>\$ 614,382</u>
Total unpaid claims and claim adjustments expense at end of year	<u>\$ 35,013</u>	<u>\$ 86,693</u>

The City maintains commercial insurance coverage for other physical damage and liability risks.

City of Wellington, Kansas
Notes to Financial Statement
December 31, 2011

4. Defined benefit pension plan

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plans provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (400 SW 8th Avenue, Suite 200: Topeka, KS 66603-3925) or by calling 1-800-228-0366.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for 2011 was 7.74%. The KP&F uniform participating employer rate established for fiscal years beginning in 2011 is 14.57%. The City contributions to KPERS and KP&F for the year ending December 31, 2011 were \$569,430, equal to the statutory required contributions for the year.

City of Wellington, Kansas
Notes to Financial Statement
December 31, 2011

5. Long-term debt

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

	Interest Rate	Date of Issue	Amount of Issue	Final Maturity	Beginning of Year	Additions	Retired/ Refunded	Net Change	End of Year	Interest Paid
General Obligation Bonds										
Airport & Street Improvements	2.2-4.9%	06/01/02	1,200,000	10/01/22	760,000	-	760,000	-	-	31,611
GO Refunding	3.0-4.15%	10/01/04	4,155,000	10/01/20	3,345,000	-	285,000	-	3,060,000	123,544
GO Street Improvements	3.4-5.0%	07/15/08	1,440,000	10/01/23	1,275,000	-	100,000	-	1,175,000	51,960
GO Special	3.0-4.15%	08/15/09	860,000	10/01/24	825,000	-	40,000	-	785,000	27,618
GO Refunding & improvement	2.0-3.0%	08/15/11	830,000	05/01/22	-	830,000	-	-	830,000	-
GO Street Improvements(USDA)	4.00%	09/22/11	394,200	09/22/31	-	394,200	-	-	394,200	-
GO EW&S Refunding	2.0-3.0%	08/15/11	4,800,000	05/01/22	-	4,800,000	-	-	4,800,000	-
			<u>\$ 13,679,200</u>		<u>\$ 6,205,000</u>	<u>\$ 6,024,200</u>	<u>\$ 1,185,000</u>	<u>\$ -</u>	<u>\$ 11,044,200</u>	<u>\$ 234,733</u>
Revenue Bonds										
Electric, W&S Revenue bonds	4.375-5.25%	04/01/02	5,615,000	11/01/27	100,000	-	-	-	100,000	4,375
Electric, W&S refunding	3.4-4.2%	08/15/02	5,160,000	05/01/23	5,160,000	-	5,160,000	-	-	177,872
Electric, W&S refunding	4.0-4.5%	03/15/06	5,950,000	11/01/27	5,950,000	-	20,000	-	5,930,000	254,976
Electric, W&S refunding	2.71%	04/01/08	2,300,000	05/01/12	1,180,000	-	855,000	-	325,000	24,213
			<u>\$ 19,025,000</u>		<u>\$ 12,390,000</u>	<u>\$ -</u>	<u>\$ 6,035,000</u>	<u>\$ -</u>	<u>\$ 6,355,000</u>	<u>\$ 461,436</u>
Public Building Commission	3.3 - 3.65%	12/15/07	985,000	12/01/17	730,000	-	90,000	-	640,000	25,908
Public Building Commission	1.0 - 4.0%	03/01/10	1,175,000	03/01/25	1,175,000	-	65,000	-	1,110,000	32,960
			<u>\$ 2,160,000</u>		<u>\$ 1,905,000</u>	<u>\$ -</u>	<u>\$ 155,000</u>	<u>\$ -</u>	<u>\$ 1,750,000</u>	<u>\$ 58,868</u>
Other Debt										
Kansas Water Pollution Control Revolving Loan	2.84%	06/12/09	<u>\$ 13,800,000</u>	03/01/30	<u>\$ 13,148,696</u>	<u>\$ 447,278</u>	<u>\$ 536,610</u>	<u>\$ -</u>	<u>\$ 13,059,364</u>	<u>\$ 372,560</u>
Capital Leases										
Fire Truck	6.15%	09/27/00	345,000	01/01/16	148,021	-	26,031	-	121,990	7,744
Fire Truck	4.55%	06/30/06	244,464	06/30/15	129,862	-	23,715	-	106,147	6,939
Caterpillar Wheel Loader	4.25%	08/06/08	115,816	08/06/14	95,362	-	10,884	-	84,478	4,497
			<u>\$ 705,280</u>		<u>\$ 373,245</u>	<u>\$ -</u>	<u>\$ 60,630</u>	<u>\$ -</u>	<u>\$ 312,615</u>	<u>\$ 19,180</u>
Total Bonded and Other Indebtedness			<u>\$ 49,369,480</u>		<u>\$ 34,021,941</u>	<u>\$ 6,471,478</u>	<u>\$ 7,972,240</u>	<u>\$ -</u>	<u>\$ 32,521,179</u>	<u>\$ 1,146,777</u>
Compensated Absences Payable										
Accrued vacation benefits and sick leave reserve	N/A	N/A	N/A	N/A	<u>\$ 582,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,017</u>	<u>\$ 598,724</u>	<u>\$ -</u>
Total					<u>\$ 34,604,648</u>	<u>\$ 6,471,478</u>	<u>\$ 7,972,240</u>	<u>\$ 16,017</u>	<u>\$ 33,119,903</u>	<u>\$ 1,146,777</u>

City of Wellington, Kansas
Notes to Financial Statement
December 31, 2011

5. Long-term debt (continued)

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

	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	Total
Principal										
General Obligation Bonds	\$ 533,238	\$ 993,768	\$1,004,318	\$1,029,891	\$1,045,487	\$ 5,157,235	\$ 1,151,134	\$ 129,129	\$ -	\$11,044,200
Revenue Bonds	455,000	125,000	140,000	145,000	155,000	860,000	3,545,000	930,000	-	6,355,000
Public Bldg Com Rev Bds	160,000	170,000	175,000	180,000	185,000	510,000	370,000	-	-	1,750,000
Kansas Water Pollution Control Revolving Loan	535,823	551,148	566,912	583,126	599,805	3,266,382	3,760,997	3,195,171	-	13,059,364
Temporary Notes	-	-	-	-	-	-	-	-	-	-
Capital Leases	65,092	67,292	118,548	59,092	2,591	-	-	-	-	312,615
Total Principal	1,749,153	1,907,208	2,004,778	1,997,109	1,987,883	9,793,617	8,827,131	4,254,300	-	32,521,179
Interest										
General Obligation Bonds	\$ 367,159	\$ 316,616	\$ 291,273	\$ 264,658	\$ 236,704	\$ 685,708	\$ 81,317	\$ 15,900	\$ -	\$ 2,259,335
Revenue Bonds	269,758	252,976	247,976	242,376	236,576	1,082,394	730,656	41,850	-	3,104,562
Public Bldg Com Rev Bds	55,112	51,038	46,452	41,395	35,878	109,416	30,156	-	-	369,447
Kansas Water Pollution Control Revolving Loan	373,348	358,023	342,259	326,044	309,366	1,279,473	784,858	221,800	-	3,995,171
Temporary Notes	-	-	-	-	-	-	-	-	-	-
Capital Leases	10,616	8,416	6,131	1,679	4	-	-	-	-	26,846
Total Interest	1,075,993	987,069	934,091	876,152	818,528	3,156,991	1,626,987	279,550	-	9,755,361
Total Principal & Interest	\$2,825,146	\$2,894,277	\$2,938,869	\$2,873,261	\$2,806,411	\$12,950,608	\$10,454,118	\$4,533,850	\$ -	\$42,276,540

The City issued refunding general obligation bonds in 2011 and used the proceeds to currently refund revenue bonds. That refunding transaction is reflected in the above amounts.

Compliance with Finance-Related Contractual Provisions

Electric, Waterworks and Sewage Utility System revenue bonds constitute special obligations of the City and are solely secured by a first lien on the net revenues of the utility system.

The revenue bonds are collateralized by the net revenue of the electric, waterworks, and sewage utility system and the reserve accounts established by the bond agreements. The revenue bond ordinance provides that the revenue of the system is to be used first to pay operating and maintenance expenses of the system, second to establish and maintain various debt service and reserve accounts and third, to establish and maintain a surplus account. The surplus account and any remaining funds may be used for any lawful purpose of the City. The ordinances require maintaining or increasing the bond reserve accounts to equal the maximum annual future debt service requirement of the revenue bonds outstanding. The City is required to maintain rates and charges to produce net revenues equal to 125% of the year's debt service requirements. For 2011 the revenue bond coverage ratio was 3.71 and in 2010 it was 1.93, which met this requirement.

Other miscellaneous provisions include: Maintaining proper books and records, annual audit and rate adjustment within 60 days of audit if necessary, reasonable and customary risk insurance, annual budget, annual report on system condition and recommendations by system employee or consulting engineer, quarterly reports to determine compliance with rate covenant and rate adjustment within 60 days if necessary. The applicable provisions were complied with during 2011 and 2010.

City of Wellington, Kansas
Notes to Financial Statement
December 31, 2011

5. Long-term debt (continued)

Capital leases

The city has capital leases outstanding on two fire trucks, and a rubber tire loader. The lease payments are recognized in the departmental expenditure accounts when payments are made. The assets have been recorded at the present value of the future minimum lease payments at the date of inception of the lease. The gross amount of assets under these capital leases was \$705,280 at December 31, 2011.

Advance Refunding of Revenue Bonds and General Obligation bonds

Through prior year advanced refundings, \$5,795,000 of utility revenue bonds are considered defeased as of December 31, 2011 of which \$5,515,000 is from the 2002A issue refunded in 2006, and \$280,000 is from the 2008 issue refunded in 2011. All of these refunded bonds are scheduled to be called or mature in 2012.

6. Related Party Transactions

There are no significant related party transactions.

7. Reserves Required by Bond Agreements, Enterprise Funds

The bond and other reserves of the Enterprise Funds as of December 31, 2011 were comprised of the following:

	Restricted Cash & Investments	
	December 31,	
	<u>2011</u>	<u>2010</u>
Equipment reserve and reserve for improvements	\$ 1,130,980	\$ 683,347
Bond reserve accounts:		
Principal and interest accounts	355,005	594,213
Emergency and depreciation account	400,000	400,000
Bond reserve account	635,500	1,501,005
Surplus	<u>7,806,619</u>	<u>7,945,838</u>
 Total	 <u>\$ 10,328,104</u>	 <u>\$ 11,124,403</u>

City of Wellington, Kansas
Notes to Financial Statement
December 31, 2011

8. Capital project funds

The Special Improvements Fund is used to account for small project costs not directly attributable to another fund. Major capital projects are accounted for within their own fund. Since these funds are not required to be budgeted, expenditures are limited on a project-by-project basis to an amount authorized by resolution. During 2011, the following projects were completed or underway:

<u>Project</u>	Project <u>Authorization</u>	Project to Date <u>Expenditures</u>	Dec. 31, 2011 <u>Status</u>
Crestview Heights Addition-Phase II	\$ 310,000	\$ -	Pending
Highway 160 Corridor-Hotel Sewer H Street, Beaver Creek Sewer, & Wastewater Treatment Plant	170,000	-	Pending
Main Trafficway Improvement	19,050,000	15,259,691	Completed
	220,000	-	Pending

9. Operating and residual equity transfers and other interfund activity

Cash Transfers The following is a schedule of interfund operating transfers made in 2011:

<u>From:</u>	<u>To:</u>	<u>Amount</u>
Permanent Cemetery	General	\$ 401
Electric, Water & Sewer Utility	General	1,323,815
Sanitation	General	83,552
General	Bond & Interest	17,375
Ambulance & Firefighting Eq	Bond & Interest	10,000
Municipal Airport	Bond & Interest	56,105
General	Equipment Reserve	64,550
General	Capital Improvement	330,000
Bond & Interest	Capital Improvement	123,000
General	Golf Course	57,500
Electric, Water & Sewer Utility	EW&S Capital Improve & Eq	976,000
Sanitation	Sanitation Equipment Reserve	25,000
General	Municipal Airport	25,000
Public Building Commission	SRMC-PBC Bonds	14,064
		<u>\$ 3,106,362</u>

City of Wellington, Kansas
Notes to Financial Statement
December 31, 2011

9. Operating and residual equity transfers and other interfund activity (continued)

Prior to 2006, all utility services consumed by the City were metered and charged at an interdepartmental rate that approximated the cost of the services. These charges were recognized as revenue by the providing utility fund and as an expenditure by the consuming fund. Beginning in 2006, the City continued metering the usage but stopped transferring cash for these utility services as revenue and expenditures and provided the services free of charge to all its own departments. Under the City's basis of accounting, these free services are not recorded in Statement 1.

<u>Fund & Department Receiving Service</u>	<u>2011 Utility Services Provided</u>			2010
	<u>Electric</u>	<u>Water</u>	<u>Total</u>	<u>Total</u>
Interfund Services Provided:				
To General Fund	\$207,292	\$ 24,891	\$232,183	\$227,007
To Golf Course & Airport Funds	20,650	62	20,712	18,001
To Component Unit-SRMC	<u>146,718</u>	<u>10,341</u>	<u>157,059</u>	<u>185,035</u>
	<u>\$374,660</u>	<u>\$ 35,294</u>	<u>\$409,954</u>	<u>\$430,043</u>

10. Contingencies

Grant Program Involvement In the normal course of operations, the City participates in various federal, state or corporate grant programs from year to year. The programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation The City is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

11. Stewardship, Compliance and Accountability

Compliance with Kansas Statutes

Expenditures exceeded the amount of authorized budget in the Municipal Airport Fund by \$9,310.

Deficit Cash/Unencumbered Cash for Individual Funds

The following funds had a deficit cash and unencumbered cash balance due to the expenditure of federal funds in advance of reimbursement from the federal programs were pending at 12/31/11: Wellington Airport FAA Grant, SCCDAT Grant, Waste Water Treatment Plant (capital project), Hargis Creek Lift Station (capital project).

12. Economic Dependency

The Utility relies upon purchasing a major portion of its electrical power at wholesale rates for resale to its customers since it is less expensive than producing its own power. Substantially all purchased electrical power is contracted through the Kansas Power Pool (KPP) a municipal power pool of 42 Kansas cities. Because of this concentration of electricity providers, the Utility may be economically dependent upon this vendor for purchased electrical power; however, operationally the City does have the capability of supplying all its own electrical generating capacity.

City of Wellington, Kansas
Summary of Expenditures--Actual and Budget (Statutory)
(Budgeted Funds Only)
For the Year Ending December 31, 2011

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Favorable/ (Unfavorable)</u>
General	\$ 7,855,469	\$ -	\$ 7,855,469	\$ 6,617,561	\$ 1,237,908
Special Revenue Funds					
Ambulance and Fire Fighting Equip	90,129	-	90,129	73,282	16,847
Library	197,742	-	197,742	184,742	13,000
Special City Highway	214,764	-	214,764	197,937	16,827
Special Alcohol and Drug	12,300	-	12,300	11,550	750
Special Parks and Recreation	52,938	-	52,938	10,000	42,938
Tourism and Convention	98,966	-	98,966	38,093	60,873
Special Liability Expense	570,087	-	570,087	298,750	271,337
Hospital Sales Tax	345,000	-	345,000	283,050	61,950
Debt Service Funds:					
Bond & Interest	855,907	830,000	1,685,907	1,559,350	126,557
Proprietary Funds:					
Electric, Waterworks & Sewage Uti	17,037,708	4,800,000	21,837,708	21,608,670	229,038
Sanitation Utility	1,203,554	-	1,203,554	1,110,342	93,212
Municipal Golf Course	361,734	-	361,734	325,986	35,748
Municipal Airport	351,699	7,388	359,087	361,009	(1,922)
Employee Benefit Contribution	<u>1,677,210</u>	<u>-</u>	<u>1,677,210</u>	<u>1,130,984</u>	<u>546,226</u>
Total primary government	<u>\$ 30,925,207</u>	<u>\$ 5,637,388</u>	<u>\$ 36,562,595</u>	<u>\$ 33,811,306</u>	<u>\$ 2,751,289</u>

City of Wellington, Kansas

Schedule 2

General Fund

Schedule of Cash Receipts & Expenditures - Actual and Budget

For the Year Ended December 31, 2011

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

	2010 <u>Actual</u>	2011		Variance Favorable (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>Cash Receipts</u>				
Taxes	\$2,546,900	\$2,349,841	\$ 2,511,134	\$ (161,293)
Intergovernmental	253,569	337,790	299,857	37,933
Licenses and fees	497,214	474,718	521,160	(46,442)
Fines	72,368	77,349	83,000	(5,651)
Charges for services	605,069	589,151	610,592	(21,441)
Other revenue	63,935	21,722	8,500	13,222
Use of money and property	37,674	53,601	35,000	18,601
Oil & gas lease	-	954,283	-	954,283
Reimbursed expense	64,239	145,930	46,100	99,830
Reimbursement from other funds	1,076,010	1,064,216	1,064,216	-
Operating transfers in	1,793,886	1,407,768	1,408,367	(599)
Total cash receipts	\$7,010,864	\$7,476,369	\$ 6,587,926	\$ 888,443
<u>Expenditures</u>				
General government:				
Mayor and city council	\$ 17,835	\$ 17,279	\$ 18,986	\$ 1,707
City manager's office	207,260	214,072	226,954	12,882
City clerk's office	328,578	336,373	340,918	4,545
Utility collections	268,236	275,238	282,235	6,997
Director of public works & recreation	89,336	496	-	(496)
General services	80,203	87,771	88,370	599
Contributions	7,000	7,000	7,000	-
Janitorial	42,449	42,287	45,661	3,374
Contingency	-	-	1,023,075	1,023,075
Nondepartmental	99,266	108,717	109,241	524
Legal and police court	129,237	129,644	130,041	397
Cemetery	103,586	108,655	110,487	1,832
Planning, community development	14,200	21,000	21,000	-
Public safety:				
Police department	1,291,954	1,366,281	1,436,371	70,090
Fire rescue	1,590,890	1,583,217	1,679,009	95,792
Transportation:				
Street department	920,433	996,824	1,060,570	63,746
Engineering, planning and inspection	352,184	350,928	365,898	14,970

City of Wellington, Kansas

Schedule 2

General Fund

Schedule of Cash Receipts & Expenditures - Actual and Budget

For the Year Ended December 31, 2011

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

	2010	2011		Variance
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Favorable (Unfavorable)
<u>Expenditures (continued)</u>				
Recreation and culture:				
Park department	\$ 252,320	\$ 245,802	\$ 269,336	\$ 23,534
Swimming pool	27,198	21,523	46,700	25,177
Municipal auditorium	34,724	35,718	39,610	3,892
Lake recreation	154,963	174,311	168,582	(5,729)
Capital outlay:				
Capital improvements	419,271	-	-	-
Other financing uses				
Operating transfers out	<u>578,104</u>	<u>494,425</u>	<u>385,425</u>	<u>(109,000)</u>
 Total expenditures	 <u>\$ 7,009,227</u>	 <u>\$ 6,617,561</u>	 <u>\$ 7,855,469</u>	 <u>\$ 1,237,908</u>
 Receipts Over (Under) Expenditures	 \$ 1,637	 \$ 858,808	 <u>\$ (1,267,543)</u>	 <u>\$ 2,126,351</u>
 Unencumbered Cash, Beginning	 1,224,113	 1,243,620		
 Prior Year Cancelled Encumbrances	 <u>17,870</u>	 <u>43,625</u>		
 Unencumbered Cash, Ending	 <u>\$ 1,243,620</u>	 <u>\$ 2,146,053</u>		

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Ambulance and Fire Fighting Equipment

Schedule of Cash Receipts & Expenditures - Actual and Budget

For the Year Ended December 31, 2011

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

	2010 Actual	2011		Variance- Favorable (Unfavorable)
		Actual	Budget	
<u>Cash Receipts</u>				
Taxes:				
Ad valorem property tax	\$ 57,751	\$ 49,692	\$ 56,474	\$ (6,782)
Delinquent tax	2,890	2,158	1,000	1,158
Intergovernmental:				
Motor vehicle tax	9,241	11,184	9,251	1,933
Recreational vehicle tax	108	115	123	(8)
Other revenue	8,739	-	-	-
Federal grant	46,550	-	-	-
State grant	-	-	-	-
Use of money and property:				
Interest earnings	146	107	112	(5)
Total cash receipts	<u>\$ 125,425</u>	<u>\$ 63,256</u>	<u>\$ 66,960</u>	<u>\$ (3,704)</u>
<u>Expenditures</u>				
Public safety:				
Commodities	\$ -	\$ -	\$ -	\$ -
Contractual	48	-	-	-
Contingencies	-	-	14,499	14,499
Capital outlay	119,530	63,282	65,630	2,348
Other financing uses				
Operating transfers out	10,000	10,000	10,000	-
Total expenditures	<u>\$ 129,578</u>	<u>\$ 73,282</u>	<u>\$ 90,129</u>	<u>\$ 16,847</u>
Adjustment for qualifying budget credit	-	-	-	-
Total	<u>\$ 129,578</u>	<u>\$ 73,282</u>	<u>\$ 90,129</u>	<u>\$ 16,847</u>
Receipts Over (Under) Expenditures	\$ (4,153)	\$ (10,026)	<u>\$ (23,169)</u>	<u>\$ 13,143</u>
Unencumbered Cash, Beginning	28,036	23,883		
Prior Year Cancelled Encumbrances	-	-		
Unencumbered Cash, Ending	<u>\$ 23,883</u>	<u>\$ 13,857</u>		

City of Wellington, Kansas

Special Revenue Fund

Library

Schedule of Cash Receipts & Expenditures - Actual and Budget

For the Year Ended December 31, 2011

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

	2010 <u>Actual</u>	2011		Variance- Favorable (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>Cash Receipts</u>				
Taxes:				
Ad valorem property tax	\$ 160,158	\$ 138,914	\$ 158,440	\$ (19,526)
Delinquent tax	6,596	5,067	3,500	1,567
Intergovernmental:				
Motor vehicle tax	20,310	29,402	25,648	3,754
Recreational vehicle tax	<u>238</u>	<u>310</u>	<u>341</u>	<u>(31)</u>
Total cash receipts	<u>\$ 187,302</u>	<u>\$ 173,693</u>	<u>\$ 187,929</u>	<u>\$ (14,236)</u>
<u>Expenditures</u>				
Government:				
Contingency	\$ 4,000	\$ -	\$ 13,000	\$ 13,000
Other financing uses				
Appropriation to Library Board	<u>184,742</u>	<u>184,742</u>	<u>184,742</u>	<u>-</u>
Total expenditures	<u>\$ 188,742</u>	<u>\$ 184,742</u>	<u>\$ 197,742</u>	<u>\$ 13,000</u>
Receipts Over (Under) Expenditures	\$ (1,440)	\$ (11,049)	<u>\$ (9,813)</u>	<u>\$ (1,236)</u>
Unencumbered Cash, Beginning	<u>13,946</u>	<u>12,506</u>		
Unencumbered Cash, Ending	<u>\$ 12,506</u>	<u>\$ 1,457</u>		

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Permanent Cemetery Endowment

Schedule of Cash Receipts & Expenditures - Actual and Budget

For the Year Ended December 31, 2011

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

	2010	2011
<u>Cash Receipts</u>	<u>Actual</u>	<u>Actual</u>
Use of money and property:		
Interest earnings	\$ 420	\$ 381
Other revenues:		
1/3 of cemetery lots sold	<u>1,867</u>	<u>4,346</u>
Total cash receipts	<u>\$ 2,287</u>	<u>\$ 4,727</u>
<u>Other Financing Uses</u>		
Operating transfer to general fund	<u>\$ 318</u>	<u>\$ 401</u>
Total expenditures	<u>\$ 318</u>	<u>\$ 401</u>
Receipts Over (Under) Expenditures	\$ 1,969	\$ 4,326
Unencumbered Cash, Beginning	<u>114,994</u>	<u>116,963</u>
Unencumbered Cash, Ending	<u>\$ 116,963</u>	<u>\$ 121,289</u>

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Special City Highway

Schedule of Cash Receipts & Expenditures - Actual and Budget

For the Year Ended December 31, 2011

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

		2011		
	2010			Variance-
<u>Cash Receipts</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Intergovernmental:				
Fuel tax allocation	\$ 206,949	\$ 206,811	\$ 213,560	\$ (6,749)
Use of money and property:				
Interest earnings	<u>81</u>	<u>155</u>	<u>102</u>	<u>53</u>
Total cash receipts	<u>\$ 207,030</u>	<u>\$ 206,966</u>	<u>\$ 213,662</u>	<u>\$ (6,696)</u>
 <u>Expenditures</u>				
Transportation:				
Capital outlay	\$ 62,937	\$ 62,937	\$ 74,937	\$ 12,000
Reimbursement to General Fund	135,000	135,000	135,000	-
Contingency	<u>-</u>	<u>-</u>	<u>4,827</u>	<u>4,827</u>
Total expenditures	<u>\$ 197,937</u>	<u>\$ 197,937</u>	<u>\$ 214,764</u>	<u>\$ 16,827</u>
Receipts Over (Under) Expenditures	\$ 9,093	\$ 9,029	<u>\$ (1,102)</u>	<u>\$ 10,131</u>
Unencumbered Cash, Beginning	1,575	10,668		
Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 10,668</u>	<u>\$ 19,697</u>		

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Special Alcohol and Drug

Schedule of Cash Receipts & Expenditures - Actual and Budget

For the Year Ended December 31, 2011

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

	2010 <u>Actual</u>	2011		Variance- Favorable (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental:				
State of Kansas	\$ 12,279	\$ 11,274	\$ 11,277	\$ (3)
Use of money and property:				
Interest earnings	<u>13</u>	<u>14</u>	<u>11</u>	<u>3</u>
Total cash receipts	<u>\$ 12,292</u>	<u>\$ 11,288</u>	<u>\$ 11,288</u>	<u>\$ -</u>
Expenditures				
General Government:				
Contractual	<u>\$ 11,250</u>	<u>\$ 11,550</u>	<u>\$ 12,300</u>	<u>\$ 750</u>
Total expenditures	<u>\$ 11,250</u>	<u>\$ 11,550</u>	<u>\$ 12,300</u>	<u>\$ 750</u>
Receipts Over (Under) Expenditures	\$ 1,042	\$ (262)	<u>\$ (1,012)</u>	<u>\$ 750</u>
Unencumbered Cash, Beginning	2,459	3,501		
Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 3,501</u>	<u>\$ 3,239</u>		

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Special Park and Recreation

Schedule of Cash Receipts & Expenditures - Actual and Budget

For the Year Ended December 31, 2011

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

		2011		
	2010			Variance-
Cash Receipts	Actual	Actual	Budget	Favorable (Unfavorable)
Intergovernmental:				
State of Kansas	\$ 12,279	\$ 11,274	\$ 11,277	\$ (3)
Use of money and property:				
Interest earnings	<u>117</u>	<u>141</u>	<u>92</u>	<u>49</u>
Total cash receipts	<u>\$ 12,396</u>	<u>\$ 11,415</u>	<u>\$ 11,369</u>	<u>\$ 46</u>
Expenditures				
Recreation and Culture				
Capital Outlay	\$ -	\$ 10,000	\$ 20,000	\$ 10,000
Contingency	<u>-</u>	<u>-</u>	<u>32,938</u>	<u>32,938</u>
Total expenditures	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 52,938</u>	<u>\$ 42,938</u>
Receipts Over (Under) Expenditures	\$ 12,396	\$ 1,415	<u>\$ (41,569)</u>	<u>\$ 42,984</u>
Unencumbered Cash, Beginning	28,896	41,292		
Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 41,292</u>	<u>\$ 42,707</u>		

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Tourism and Convention

Schedule of Cash Receipts & Expenditures - Actual and Budget

For the Year Ended December 31, 2011

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

		2011		
	2010			Variance-
<u>Cash Receipts</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Intergovernmental:				
Transient guest tax	\$ 49,703	\$ 31,094	\$ 42,000	\$ (10,906)
Other revenue	-	-	-	-
Use of money and property:				
Interest earnings	<u>241</u>	<u>235</u>	<u>217</u>	<u>18</u>
Total cash receipts	<u>\$ 49,944</u>	<u>\$ 31,329</u>	<u>\$ 42,217</u>	<u>\$ (10,888)</u>
 <u>Expenditures</u>				
General government:				
Contractual	\$ 38,104	\$ 38,093	\$ 45,000	\$ 6,907
Commodities	-	-	-	-
Capital Outlay	-	-	-	-
Contingency	-	-	<u>53,966</u>	<u>53,966</u>
Total expenditures	<u>\$ 38,104</u>	<u>\$ 38,093</u>	<u>\$ 98,966</u>	<u>\$ 60,873</u>
Receipts Over (Under) Expenditures	\$ 11,840	\$ (6,764)	<u>\$ (56,749)</u>	<u>\$ 49,985</u>
Unencumbered Cash, Beginning	63,440	75,280		
Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 75,280</u>	<u>\$ 68,516</u>		

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Emergency Shelter Grant

Schedule of Cash Receipts & Expenditures - Actual and Budget

For the Year Ended December 31, 2011

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

	2010	2011
<u>Cash Receipts</u>	<u>Actual</u>	<u>Actual</u>
Intergovernmental:		
Federal grant	\$ 8,616	\$ -
	<u>-</u>	<u>-</u>
Total cash receipts	<u>\$ 8,616</u>	<u>\$ -</u>
<u>Expenditures</u>		
General government:		
Contractual	\$ 8,616	\$ -
Other	-	-
Total expenditures	<u>\$ 8,616</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	\$ -	\$ -
Unencumbered Cash, Beginning	-	-
Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Special Liability Expense

Schedule of Cash Receipts & Expenditures

For the Year Ended December 31, 2011

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

		2011		Variance-
	2010			Favorable
<u>Receipts</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Unfavorable)</u>
Use of money and property:				
Interest earnings	\$ 1,284	\$ 1,162	\$ 1,032	\$ 130
Other revenues	<u>302,049</u>	<u>290,942</u>	<u>273,033</u>	<u>17,909</u>
Total receipts	<u>\$ 303,333</u>	<u>\$ 292,104</u>	<u>\$ 274,065</u>	<u>\$ 18,039</u>
 <u>Expenditures</u>				
General government:				
Contractual services	\$ 281,990	\$ 298,750	\$ 330,000	\$ 31,250
Contingency	<u>-</u>	<u>-</u>	<u>240,087</u>	<u>240,087</u>
Total expenditures	<u>\$ 281,990</u>	<u>\$ 298,750</u>	<u>\$ 570,087</u>	<u>\$ 271,337</u>
Receipts Over (Under) Expenditures	\$ 21,343	\$ (6,646)	<u>\$ (296,022)</u>	<u>\$ 289,376</u>
Unencumbered Cash, Beginning	331,299	352,642		
Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 352,642</u>	<u>\$ 345,996</u>		

See accompanying independent auditor's report.

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Equipment Reserve

Schedule of Cash Receipts & Expenditures

For the Year Ended December 31, 2011

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

	2010	2011
	<u>Actual</u>	<u>Actual</u>
<u>Receipts</u>		
Intergovernmental:		
Federal grant	\$ -	\$ -
Other revenue	-	-
Other financing sources:		
Transfer from general fund	119,000	64,550
Transfer from other funds	<u>83,810</u>	<u>-</u>
Total receipts	<u>202,810</u>	<u>64,550</u>
<u>Expenditures</u>		
Capital outlay	<u>183,177</u>	<u>208,883</u>
Total expenditures	<u>183,177</u>	<u>208,883</u>
Receipts Over (Under) Expenditures	19,633	(144,333)
Unencumbered Cash, Beginning	198,289	232,079
Prior Year Cancelled Encumbrances	<u>14,157</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 232,079</u>	<u>\$ 87,746</u>

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

FEMA Grant Fund

Schedule of Cash Receipts & Expenditures

For the Year Ended December 31, 2011

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

	2010 <u>Actual</u>	2011 <u>Actual</u>
<u>Receipts</u>		
Intergovernmental:		
Federal grant	\$ -	\$ -
Other revenue	-	-
	<u>-</u>	<u>-</u>
Total receipts	-	-
 <u>Expenditures</u>		
Fire	\$ -	\$ -
Parks	-	-
Streets	-	-
Cemetery	-	-
Lake recreation	7,842	-
Electric line construction	-	-
Total expenditures	<u>7,842</u>	<u>-</u>
 Receipts Over (Under) Expenditures	(7,842)	-
 Unencumbered Cash, Beginning	44,478	36,636
 Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>
 Unencumbered Cash, Ending	<u>\$ 36,636</u>	<u>\$ 36,636</u>

See accompanying independent auditor's report.

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Wellington Airport FAA Grant

Schedule of Cash Receipts & Expenditures

For the Year Ended December 31, 2011

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

	2010	2011
	<u>Actual</u>	<u>Actual</u>
<u>Receipts</u>		
Intergovernmental:		
Federal grant	\$ 5,921	\$ 26,648
Total receipts	<u>5,921</u>	<u>26,648</u>
<u>Expenditures</u>		
General government:		
Contractual	\$ -	\$ -
Capital outlay	<u>-</u>	<u>40,114</u>
Total expenditures	<u>-</u>	<u>40,114</u>
Receipts Over (Under) Expenditures	5,921	(13,466)
Unencumbered Cash, Beginning	(5,921)	-
Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ (13,466)</u>

Note: *This fund was not in violation of the cash basis law, as federal grant funds were receivable at 12/31/11.*

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Fire Insurance Proceeds

Schedule of Cash Receipts & Expenditures

For the Year Ended December 31, 2011

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

	2010 <u>Actual</u>	2011 <u>Actual</u>
<u>Receipts</u>		
Other revenue	\$ -	\$ 21,791
Use of money and property:		
Interest earnings	<u>-</u>	<u>109</u>
Total receipts	<u>-</u>	<u>21,900</u>
 <u>Expenditures</u>		
General government:	<u>-</u>	<u>16,865</u>
Total expenditures	<u>-</u>	<u>16,865</u>
 Receipts Over (Under) Expenditures	-	5,035
 Unencumbered Cash, Beginning	-	-
 Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>
 Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 5,035</u>

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Hazmat Response

Schedule of Cash Receipts & Expenditures

For the Year Ended December 31, 2011

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

	2010 <u>Actual</u>	2011 <u>Actual</u>
<u>Receipts</u>		
Other revenue	\$ 843	\$ 1,092
Use of money and property:		
Interest earnings	<u>5</u>	<u>4</u>
Total receipts	<u>848</u>	<u>1,096</u>
 <u>Expenditures</u>		
Public safety:	<u>634</u>	<u>1,225</u>
Total expenditures	<u>634</u>	<u>1,225</u>
 Receipts Over (Under) Expenditures	214	(129)
 Unencumbered Cash, Beginning	1,346	1,560
 Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>
 Unencumbered Cash, Ending	<u>\$ 1,560</u>	<u>\$ 1,431</u>

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Fire Prevention and Education

Schedule of Cash Receipts & Expenditures

For the Year Ended December 31, 2011

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

	2010 <u>Actual</u>	2011 <u>Actual</u>
<u>Receipts</u>		
Other revenue	\$ 435	\$ 210
Use of money and property:		
Interest earnings	<u>3</u>	<u>2</u>
Total receipts	<u>438</u>	<u>212</u>
 <u>Expenditures</u>		
Public safety:	<u>487</u>	<u>1,067</u>
Total expenditures	<u>487</u>	<u>1,067</u>
 Receipts Over (Under) Expenditures	(49)	(855)
 Unencumbered Cash, Beginning	1,031	982
 Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>
 Unencumbered Cash, Ending	<u>\$ 982</u>	<u>\$ 127</u>

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

Hospital Sales Tax Fund

Schedule of Cash Receipts & Expenditures

For the Year Ended December 31, 2011

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

	2010 <u>Actual</u>	2011		Variance- Favorable (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>Cash Receipts</u>				
Intergovernmental:				
Sales tax	\$ 279,162	\$ 283,050	\$ 345,000	\$ (61,950)
Use of money and property:				
Interest earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash receipts	<u>\$ 279,162</u>	<u>\$ 283,050</u>	<u>\$ 345,000</u>	<u>\$ (61,950)</u>
 <u>Expenditures</u>				
Other financing uses				
Appropriation to Hospital Board	\$ 279,162	\$ 283,050	\$ 345,000	\$ 61,950
Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 279,162</u>	<u>\$ 283,050</u>	<u>\$ 345,000</u>	<u>\$ 61,950</u>
 Receipts Over (Under) Expenditures	\$ -	\$ -		
 Unencumbered Cash, Beginning	-	-		
 Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>		
 Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

City of Wellington, Kansas

Schedule 2

Special Revenue Fund

SCCDAT Grant Fund

Schedule of Cash Receipts & Expenditures

For the Year Ended December 31, 2011

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

	2010	2011
	<u>Actual</u>	<u>Actual</u>
Receipts		
Intergovernmental:		
Federal grant	\$ 180,054	\$ 152,243
Other revenue	500	3,493
Use of money and property:		
Interest earnings	<u>(47)</u>	<u>(43)</u>
Total receipts	<u>\$ 180,507</u>	<u>\$ 155,693</u>
Expenditures		
General government:		
Personal services	\$ 77,467	\$ 80,009
Commodities	63,235	8,932
Contractual	27,421	63,457
Other		
CMCA Youth activities	2,833	2,713
Strengthening Families	10,200	2,100
Lion's Quest	6,306	3,946
Lifeskills	<u>1,550</u>	<u>1,175</u>
Total expenditures	<u>\$ 189,012</u>	<u>\$ 162,332</u>
Receipts Over (Under) Expenditures	\$ (8,505)	\$ (6,639)
Unencumbered Cash, Beginning	(8,941)	(17,446)
Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ (17,446)</u>	<u>\$ (24,085)</u>

Note: *This fund is not in violation of the cash basis law, as federal grant funds are receivable at 12/31/10 & 12/31/11.*

City of Wellington, Kansas

Schedule 2

Debt Service Fund

Bond and Interest

Schedule of Cash Receipts & Expenditures - Actual and Budget

For the Year Ended December 31, 2011

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

	2010 Actual	2011		Variance Favorable (Unfavorable)
		Actual	Budget	
<u>Cash Receipts</u>				
Taxes:				
Ad valorem property tax	\$ 422,956	\$ 367,067	\$ 417,544	\$ (50,477)
Delinquent tax	15,837	12,253	8,000	4,253
Special assessments	151,755	204,900	182,837	22,063
Intergovernmental:				
Motor vehicle tax	49,203	76,345	67,725	8,620
Recreational vehicle tax	577	806	900	(94)
Use of money and property:				
Interest earnings	1,199	1,066	693	373
Other revenue:				
Miscellaneous	-	4,000	-	4,000
Transfers				
Transfer from general fund	13,375	17,375	13,375	4,000
Transfer from Ambulance & FF Equipment	10,000	10,000	10,000	-
Other financing sources				
Sale of bonds	-	830,000	-	830,000
Debt payment from Airport Authority	48,693	56,105	51,105	5,000
Total cash receipts	<u>\$ 713,595</u>	<u>\$ 1,579,917</u>	<u>\$ 752,179</u>	<u>\$ 827,738</u>
<u>Expenditures</u>				
Debt service:				
Principal	\$ 490,000	\$ 1,185,000	\$ 508,800	\$ (676,200)
Interest	259,544	234,732	253,607	18,875
Cost of issuance, net of discount	-	16,618	-	(16,618)
Cash basis reserve	-	-	93,500	93,500
Other financing uses:				
Transfer to Capital Improvement Fund	-	123,000	-	(123,000)
Total expenditures	<u>\$ 749,544</u>	<u>\$ 1,559,350</u>	<u>\$ 855,907</u>	<u>\$ (703,443)</u>
Adjustment for qualifying budget credit:				
Issuance/refunding of GO bonds		-	830,000	830,000
Total		<u>\$ 1,559,350</u>	<u>\$ 1,685,907</u>	<u>\$ 126,557</u>
Receipts Over (Under) Expenditures	\$ (35,949)	\$ 20,567	<u>\$ (103,728)</u>	<u>\$ 124,295</u>
Unencumbered Cash, Beginning	112,104	76,155		
Prior Year Cancelled Encumbrances	-	-		
Unencumbered Cash, Ending	<u>\$ 76,155</u>	<u>\$ 96,722</u>		

See accompanying independent auditor's report.

City of Wellington, Kansas
Debt Service Fund
SRMC-PBC Bond Fund
Schedule of Cash Receipts & Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2010	2011
	<u>Actual</u>	<u>Actual</u>
<u>Cash Receipts</u>		
Use of money:		
Interest earnings	\$ -	\$ -
Other financing sources:		
Transfers from Public Building Commission	-	14,064
Debt payment from SRMC-PBC	<u>135,655</u>	<u>199,804</u>
Total cash receipts	<u>\$ 135,655</u>	<u>\$213,868</u>
 <u>Expenditures</u>		
Debt service:		
Principal	\$ 90,000	\$155,000
Interest	<u>45,655</u>	<u>58,868</u>
Total expenditures	<u>\$ 135,655</u>	<u>\$213,868</u>
 Receipts Over (Under) Expenditures	 \$ -	 \$ -
 Unencumbered Cash, Beginning	 -	 -
 Prior Year Cancelled Encumbrances	 <u>-</u>	 <u>-</u>
 Unencumbered Cash, Ending	 <u>\$ -</u>	 <u>\$ -</u>

City of Wellington, Kansas
Capital Projects Funds
Schedule of Cash Receipts & Expenditures
For the Year Ended December 31, 2011

	<u>Special</u> <u>Improvements</u>	<u>Capital</u> <u>Improvements</u>	<u>Coyote</u> <u>Ridge Dev.</u>	<u>Beaver</u> <u>Creek Dev.</u>	<u>Public Bldg</u> <u>Commission</u>	<u>WasteWater</u> <u>Treatment Plnt</u>	<u>H Street</u> <u>Sewer</u>	<u>Hargis Creek</u> <u>Lift Station</u>
Receipts								
Intergovernmental:								
Federal grant/loan	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ 113,581	\$ -	\$ 333,697
State of Kansas		190,175						
Other revenue:								
Miscellaneous		337						
Interest earned	279		-	276	23	(167)	40	(170)
Accrued interest on sale of bonds			-					
Prepaid assessments			-					
Donations received								
Other financing sources								
Sale of bonds		390,200	-					
Reimbursement of City Expense		4,395						
Transfer from utility reserve							-	-
Transfer from general fund		330,000						
Transfer from other funds	-	123,000	-	-	-	-	-	-
Total receipts	<u>\$ 279</u>	<u>\$ 1,088,107</u>	<u>\$ -</u>	<u>\$ 276</u>	<u>\$ 23</u>	<u>\$ 113,414</u>	<u>\$ 40</u>	<u>\$ 333,527</u>
Expenditures								
Capital outlay:								
Construction & equipment	\$ -	\$ 1,427,786	\$ -	\$ -	\$ -	\$ 4,474	\$ -	\$ 2,224
Debt service:								
Principal			-					
Interest			-					
Cost of issuance			-					
Other financing uses:								
Transfer to general fund					14,064			
Transfer to other funds	-	-	-	-	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ 1,427,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,064</u>	<u>\$ 4,474</u>	<u>\$ -</u>	<u>\$ 2,224</u>
Receipts Over (Under) Expenditure	\$ 279	\$ (339,679)	\$ -	\$ 276	\$ (14,041)	\$ 108,940	\$ 40	\$ 331,303
Unencumbered Cash, Beginning	86,888	1,202,266	10,767	27,044	14,041	(166,555)	12,583	(351,052)
Prior Year Cancelled Encumbrance	-	7,311	-	58,662	-	31,071	-	-
Unencumbered Cash, Ending	<u>\$ 87,167</u>	<u>\$ 869,898</u>	<u>\$ 10,767</u>	<u>\$ 85,982</u>	<u>\$ -</u>	<u>\$ (26,544)</u>	<u>\$ 12,623</u>	<u>\$ (19,749)</u>

Note: These funds are not in violation of the cash basis law, as federal grant/loan funds are receivable at 12/31/11.

City of Wellington, Kansas
Capital Projects Funds
Schedule of Cash Receipts & Expenditures
For the Year Ended December 31, 2010

	<u>Special</u> <u>Improvements</u>	<u>Capital</u> <u>Improvements</u>	<u>Coyote</u> <u>Ridge Dev.</u>	<u>Beaver</u> <u>Creek Dev.</u>	<u>Public Bldg</u> <u>Commission</u>	<u>WasteWater</u> <u>Treatment Plnt</u>	<u>H Street</u> <u>Sewer</u>	<u>Hargis Creek</u> <u>Lift Station</u>
Receipts								
Intergovernmental:								
Federal grant/loan	\$ -	\$ -	\$ -	\$ 185,913	\$ -	\$ 5,243,891	\$ -	\$ 2,602,912
State of Kansas		297,360						
Other revenue:								
Miscellaneous		16,500				-		
Interest earned	315		-	289	1,222	(649)	45	(347)
Accrued interest on sale of bonds			-					
Prepaid assessments			-					
Donations received		1,500						
Other financing sources								
Sale of bonds			-		1,166,164			
Reimbursement of City Expense		2,673						
Transfer from utility reserve							-	-
Transfer from general fund		365,729						
Transfer from other funds	-	-	-	-	-	-	-	-
Total receipts	<u>\$ 315</u>	<u>\$ 683,762</u>	<u>\$ -</u>	<u>\$ 186,202</u>	<u>\$ 1,167,386</u>	<u>\$ 5,243,242</u>	<u>\$ 45</u>	<u>\$ 2,602,565</u>
Expenditures								
Capital outlay:								
Construction & equipment	\$ -	\$ 930,847	\$ -	\$ 61,640	\$ 1,125,131	\$ 4,014,025	\$ -	\$ 2,926,973
Debt service:								
Principal			-					
Interest			-	23,590		141,144		22,318
Cost of issuance			-		28,214			
Other financing uses:								
Transfer to general fund								
Transfer to other funds	-	-	-	-	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ 930,847</u>	<u>\$ -</u>	<u>\$ 85,230</u>	<u>\$ 1,153,345</u>	<u>\$ 4,155,169</u>	<u>\$ -</u>	<u>\$ 2,949,291</u>
Receipts Over (Under) Expenditure	\$ 315	\$ (247,085)	\$ -	\$ 100,972	\$ 14,041	\$ 1,088,073	\$ 45	\$ (346,726)
Unencumbered Cash, Beginning	86,573	1,448,610	10,767	(73,928)	-	(1,325,723)	12,538	(4,736)
Prior Year Cancelled Encumbrance	-	741	-	-	-	71,095	-	410
Unencumbered Cash, Ending	<u>\$ 86,888</u>	<u>\$ 1,202,266</u>	<u>\$ 10,767</u>	<u>\$ 27,044</u>	<u>\$ 14,041</u>	<u>\$ (166,555)</u>	<u>\$ 12,583</u>	<u>\$ (351,052)</u>

Note: *These funds are not in violation of the cash basis law, as federal grant/loan funds are receivable at 12/31/10.*

City of Wellington, Kansas

Schedule 2

Enterprise Fund

**Electric, Waterworks, and Sewage Utility System Operating Fund
Schedule of Cash Receipts & Expenditures - Actual and Budget**

For the Year Ended December 31, 2011

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

	2010 <u>Actual</u>	2011		Favorable (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>Cash Receipts</u>				
Water sales and services	\$ 1,174,445	\$ 1,285,480	\$ 1,343,075	\$ (57,595)
Sewage charges	1,618,221	1,584,209	1,679,870	(95,661)
Electricity sales and services	11,703,401	12,143,625	11,463,028	680,597
Penalties	125,719	122,531	121,000	1,531
Interest earnings	453,671	408,357	397,786	10,571
Miscellaneous	93,811	280,060	46,800	233,260
Kansas Power Pool refund	196,510	196,510	-	196,510
Other financing sources				
Sale of bonds	-	4,800,000	-	4,800,000
Transfers from Utility Construction fund	-	-	-	-
Total cash receipts	<u>\$ 15,365,778</u>	<u>\$ 20,820,772</u>	<u>\$ 15,051,559</u>	<u>\$ 5,769,213</u>
<u>Expenditures</u>				
Production, water and sewage	\$ 389,890	\$ 428,203	\$ 461,357	\$ 33,154
Production, electric	7,830,812	8,128,022	7,555,380	(572,642)
Distribution, water and sewage	390,784	413,122	409,794	(3,328)
Distribution, electric	1,250,383	1,235,938	1,400,846	164,908
Sewage treatment	336,121	440,412	391,155	(49,257)
Contingency	-	-	1,375,375	1,375,375
Admin. reimb. to general fund	868,849	856,699	856,699	-
Reimbursement to special liability fund	177,668	177,668	177,688	20
Debt service	2,221,991	7,405,607	2,035,909	(5,369,698)
Non-departmental-other	91,496	108,652	73,690	(34,962)
Other financing uses				
Cost of issuance	-	34,722	-	(34,722)
Operating transfers to:				
General fund	1,705,533	1,403,625	1,323,815	(79,810)
H Street Sewer fund	-	-	-	-
Equipment reserve	83,810	-	-	-
Utility capital improvements	550,000	976,000	976,000	-
Total expenditures	<u>\$ 15,897,337</u>	<u>\$ 21,608,670</u>	<u>\$ 17,037,708</u>	<u>\$ (4,570,962)</u>
Adjustment for qualifying budget credit	-	-	4,800,000	4,800,000
Total	<u>\$ 15,897,337</u>	<u>\$ 21,608,670</u>	<u>\$ 21,837,708</u>	<u>\$ 229,038</u>
Receipts Over (Under) Expenditures	\$ (531,559)	\$ (787,898)	<u>\$ (6,786,149)</u>	<u>\$ 5,998,251</u>
Unencumbered Cash, Beginning	13,282,068	12,751,409		
Prior Year Cancelled Encumbrances	900	15,135		
Unencumbered Cash, Ending	<u>\$ 12,751,409</u>	<u>\$ 11,978,646</u>		

See accompanying independent auditor's report.

City of Wellington, Kansas

Schedule 2

Enterprise Fund

**EW&S Multi-Year Capital Improvement
Schedule of Cash Receipts & Expenditures**

For the Year Ended December 31, 2011

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

	<u>2010</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>
Receipts		
Interest earnings	\$ 2,637	\$ 2,945
Other revenue		
Insurance recoveries & miscellaneous	1,296	2,870
Reimbursement from other funds	-	-
Other financing sources:		
Transfer from water and sewer	300,000	714,000
Transfer from electric	250,000	262,000
Transfer from EW&S Construction fund	-	-
Total receipts	<u>553,933</u>	<u>981,815</u>
Expenditures		
Water and Sewer:		
Vehicles	18,983	32,212
Other equipment	108,363	-
Water plant equipment repairs & maintenance		183,000
Sanitary/storm sewer line construction	140,690	-
Wasterwater treatment plant construction	16,000	142,054
Water line maintenance & construction	155,621	32,276
Water well improvement	21,252	25,790
Electric:		
Vehicles	-	-
Land	-	-
Other equipment	24,143	55,335
Electric line construction & breakers	76,283	135,872
Transfer to general fund	-	-
Total expenditures	<u>561,335</u>	<u>606,539</u>
Receipts Over (Under) Expenditures	(7,402)	375,276
Unencumbered Cash, Beginning	560,461	588,761
Prior Year Cancelled Encumbrances	<u>35,702</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 588,761</u>	<u>\$ 964,037</u>

See accompanying independent auditor's report.

City of Wellington, Kansas

Schedule 2

Enterprise Fund

Sanitation Utility

Schedule of Cash Receipts & Expenditures - Actual and Budget

For the Year Ended December 31, 2011

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

	2010 <u>Actual</u>	2011		Favorable (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>Cash Receipts</u>				
Refuse collection fees and penalties	\$1,095,510	\$1,115,548	\$1,062,425	\$ 53,123
Interest	953	383	873	(490)
Reimbursed expense and miscellaneous	<u>75,047</u>	<u>43,265</u>	<u>52,400</u>	<u>(9,135)</u>
Total cash receipts	<u>\$1,171,510</u>	<u>\$1,159,196</u>	<u>\$1,115,698</u>	<u>\$ 43,498</u>
<u>Expenditures</u>				
Collections:				
Personal services	\$ 322,824	\$ 330,825	\$ 347,550	\$ 16,725
Contractual services	169,008	167,095	164,450	(2,645)
Commodities	31,289	57,589	57,500	(89)
Capital Outlay	961	1,660	-	(1,660)
Transfer Station:				
Personal services	85,966	83,404	89,125	5,721
Contractual services	258,465	261,950	263,730	1,780
Commodities	30,775	20,925	22,850	1,925
Capital Outlay	-	-	-	-
Reimbursement to other funds	77,986	78,342	78,342	-
Operating transfers to general	88,035	83,552	83,552	-
Operating transfers to equipment reserve	274,000	25,000	25,000	-
Contingency	<u>-</u>	<u>-</u>	<u>71,455</u>	<u>71,455</u>
Total expenditures	<u>\$1,339,309</u>	<u>\$1,110,342</u>	<u>\$1,203,554</u>	<u>\$ 93,212</u>
Receipts Over (Under) Expenditures	\$ (167,799)	\$ 48,854	<u>\$ (87,856)</u>	<u>\$ 136,710</u>
Unencumbered Cash, Beginning	242,068	74,269		
Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 74,269</u>	<u>\$ 123,123</u>		

See accompanying independent auditor's report.

City of Wellington, Kansas
Enterprise Fund
Sanitation Equipment Reserve
Schedule of Cash Receipts & Expenditures
For the Year Ended December 31, 2011

Schedule 2

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

	<u>2010</u>	<u>2011</u>
	<u>Actual</u>	<u>Actual</u>
<u>Receipts</u>		
Interest	\$ 853	\$ 1,072
Other financing sources:		
Operating transfer from sanitation fund	<u>274,000</u>	<u>25,000</u>
Total receipts	<u>274,853</u>	<u>26,072</u>
<u>Expenditures</u>		
Capital outlay	<u>332,884</u>	<u>1,871</u>
Total expenditures	<u>332,884</u>	<u>1,871</u>
Receipts Over (Under) Expenditures	(58,031)	24,201
Unencumbered Cash, Beginning	336,626	278,595
Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 278,595</u>	<u>\$ 302,796</u>

City of Wellington, Kansas

Schedule 2

Enterprise Fund

Municipal Golf Course

Schedule of Cash Receipts & Expenditures - Actual and Budget

For the Year Ended December 31, 2011

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

	2010 <u>Actual</u>	2011		Favorable (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>Cash Receipts</u>				
Licenses and permits				
Golf licenses	\$ 79,600	\$ 77,875	\$ 97,000	\$ (19,125)
Golf green fees	103,170	102,141	114,880	(12,739)
Golf cart licenses and fees	23,410	22,800	26,000	(3,200)
Golf cart storage and rental	58,917	68,350	68,960	(610)
Other revenue:				
Interest	142	88	142	(54)
Miscellaneous	440	1,848	-	1,848
Other financing sources				
Transfer from general fund	<u>45,000</u>	<u>57,500</u>	<u>57,500</u>	<u>-</u>
Total cash receipts	\$ 310,679	\$ 330,602	\$ 364,482	\$ (33,880)
<u>Expenditures</u>				
Personal services	\$ 213,163	\$ 204,835	\$ 224,073	\$ 19,238
Contractual service	43,878	43,837	44,550	713
Commodities	63,033	71,489	73,700	2,211
Capital outlay	-	-	13,500	13,500
Reimbursement to special liability	5,825	5,825	5,825	-
Other financing uses:				
Operating transfers to capital improvements fund	10,000	-	-	-
Contingency	<u>-</u>	<u>-</u>	<u>86</u>	<u>86</u>
Total expenditures	\$ 335,899	\$ 325,986	\$ 361,734	\$ 35,748
Receipts Over (Under) Expenditures	\$ (25,220)	\$ 4,616	\$ 2,748	\$ 1,868
Unencumbered Cash, Beginning	30,459	5,239		
Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	\$ 5,239	\$ 9,855		

See accompanying independent auditor's report.

City of Wellington, Kansas
Enterprise Fund
Golf Course Capital Improvement
Schedule of Cash Receipts & Expenditures
For the Year Ended December 31, 2011

Schedule 2

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

	<u>2010</u>	<u>2011</u>
	<u>Actual</u>	<u>Actual</u>
<u>Receipts</u>		
Interest	\$ 55	\$ 68
Other financing sources:		
Operating transfer from golf course	<u>10,000</u>	<u>-</u>
Total revenue and other sources	<u>10,055</u>	<u>68</u>
 <u>Expenditures</u>		
Capital outlay	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
 Receipts Over (Under) Expenditures	 10,055	 68
Unencumbered Cash, Beginning	11,317	21,372
Prior Year Cancelled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 21,372</u>	<u>\$ 21,440</u>

City of Wellington, Kansas

Schedule 2

Enterprise Fund

Municipal Airport

Schedule of Cash Receipts & Expenditures - Actual

For the Year Ended December 31, 2011

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

	2010 <u>Actual</u>	2011		Favorable (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>Cash Receipts</u>				
State Revenue:				
State grant	\$ 2,250	\$ 7,387	\$ 7,388	\$ (1)
Federal grant	67,905	-	-	-
Airport revenue:				
Fuel income	175,791	176,264	140,176	36,088
Hangar rent	36,235	35,042	34,879	163
Land Leases	21,505	28,251	24,248	4,003
Airport other income	19,347	24,829	18,930	5,899
Other revenue:				
Interest	735	543	681	(138)
Miscellaneous	1,869	2,044	405	1,639
Oil & gas lease	-	190,025	-	190,025
Operating transfer from general fund	<u>35,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total cash receipts	<u>\$ 360,637</u>	<u>\$ 489,385</u>	<u>\$ 251,707</u>	<u>\$ 237,678</u>
<u>Expenditures</u>				
Fuel purchased for resale	\$ 159,919	\$ 190,250	\$ 133,180	\$ (57,070)
Personal services	51,505	52,380	52,454	74
Contractual service	27,622	20,264	30,702	10,438
Commodities	8,347	17,460	10,200	(7,260)
Capital outlay	67,661	22,776	24,964	2,188
Contingencies	-	-	47,320	47,320
Reimbursement to special liability fund	1,774	1,774	1,774	-
Debt service:				
Principal payments	25,000	35,000	30,000	(5,000)
Interest payments	<u>23,693</u>	<u>21,105</u>	<u>21,105</u>	<u>-</u>
Total expenditures	<u>\$ 365,521</u>	<u>\$ 361,009</u>	<u>\$ 351,699</u>	<u>\$ (9,310)</u>
Adjustment for qualifying budget credit		-	7,388	7,388
Total		<u>\$ 361,009</u>	<u>\$ 359,087</u>	<u>\$ (1,922)</u>
Receipts Over (Under) Expenditures	\$ (4,884)	\$ 128,376	\$ (99,992)	\$ 228,368
Unencumbered Cash, Beginning	192,368	187,484		
Prior Year Cancelled Encumbrances	-	-		
Unencumbered Cash, Ending	<u>\$ 187,484</u>	<u>\$ 315,860</u>		

See accompanying independent auditor's report.

City of Wellington, Kansas
Internal Service Fund
Employee Benefit Contribution
Schedule of Cash Receipts & Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Favorable (Unfavorable)
		Actual	Budget	
<u>Cash Receipts</u>				
Employer contributions	\$ 1,023,338	\$ 1,057,902	\$ 1,013,200	\$ 44,702
Employee contributions	150,570	150,780	148,680	2,100
COBRA and component unit contributions	20,450	21,620	19,320	2,300
Reimbursements & refunds	-	-	-	-
Interest earnings	4,393	5,267	4,000	1,267
	<u>\$ 1,198,751</u>	<u>\$ 1,235,569</u>	<u>\$ 1,185,200</u>	<u>\$ 50,369</u>
<u>Expenditures</u>				
Health insurance claims paid	\$ 587,112	\$ 660,555	\$ 675,000	\$ 14,445
Reinsurance policy premiums	325,865	321,969	434,160	112,191
Supplemental coverage policy premiums	92,524	88,578	95,164	6,586
Administration fees	20,080	25,740	26,000	260
HMO fees	-	-	-	-
Other	27,269	34,142	-	(34,142)
Reimbursement to general fund	-	-	-	-
Contingency	-	-	446,886	446,886
	<u>\$ 1,052,850</u>	<u>\$ 1,130,984</u>	<u>\$ 1,677,210</u>	<u>\$ 546,226</u>
Receipts Over (Under) Expenditures	\$ 145,901	\$ 104,585	<u>\$ (492,010)</u>	<u>\$ 596,595</u>
Unencumbered Cash, Beginning	488,797	634,698		
Prior Year Cancelled Encumbrances	-	-		
Unencumbered Cash, Ending	<u>\$ 634,698</u>	<u>\$ 739,283</u>		

City of Wellington, Kansas
Trust Funds
Schedule of Cash Receipts & Expenditures
For the Year Ended December 31, 2011

	Public Library Trust	Annie Hamilton Trust	Mildred Share McLean Trust	Mansolcum Maintenance	Regional Park Trust	Municipal Auditorium Renovation	Recreation Trust	Municipal Golf Course Trust	Ambulance Service Trust	Municipal Airport Trust	Nichols Family Trust	Drug Tax Dist. Trust	Cemetery Beautifi- cation Trust	Cara Saunders Memorial Trust	Drug Awareness Trust	Housing Authority Reserve	Law Enforcement Trust	Employee Community Service
Receipts																		
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,192	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property:																		
Interest	1,167	5	30	44	234	1,286	115	19	2	5	5	18	21	2	21	-	8	-
Farm rent	-	-	-	-	1,612	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
Other revenue	-	-	-	-	6,225	95	50,055	10,624	-	-	275	273	540	-	10,229	200	2,000	170
Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financing sources:																		
Operating transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	\$ 1,167	\$ 5	\$ 30	\$ 44	\$ 8,071	\$ 1,381	\$ 50,170	\$ 10,643	\$ 2	\$ 5	\$ 280	\$ 1,483	\$ 561	\$ 2	\$ 10,250	\$ 200	\$ 2,008	\$ 170
Expenditures																		
General government	\$ -	\$ -	\$ 229	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,457	\$ -	\$ -
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	551	-	-	-	11,338	-	2,766	-
Recreation and culture	1,970	-	-	-	52,795	34,636	50,051	3,976	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financing uses:																		
Operating transfer to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	\$ 1,970	\$ -	\$ 229	\$ -	\$ 52,795	\$ 34,636	\$ 50,051	\$ 3,976	\$ -	\$ -	\$ 551	\$ -	\$ -	\$ -	\$ 11,338	\$ 20,457	\$ 2,766	\$ -
Receipts Over (Under) Expenditures	\$ (803)	\$ 5	\$ (199)	\$ 44	\$ (44,724)	\$ (33,255)	\$ 119	\$ 6,667	\$ 2	\$ 5	\$ (271)	\$ 1,483	\$ 561	\$ 2	\$ (1,088)	\$ (20,257)	\$ (758)	\$ 170
Unencumbered Cash, Beginning	363,299	1,597	9,361	13,738	78,683	409,472	26,639	5,624	632	1,423	1,619	5,257	6,268	485	7,705	172,820	2,398	72
Prior Year Cancelled Encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unencumbered Cash, Ending	<u>\$ 362,496</u>	<u>\$ 1,602</u>	<u>\$ 9,162</u>	<u>\$ 13,782</u>	<u>\$ 33,959</u>	<u>\$ 376,217</u>	<u>\$ 26,758</u>	<u>\$ 12,291</u>	<u>\$ 634</u>	<u>\$ 1,428</u>	<u>\$ 1,348</u>	<u>\$ 6,740</u>	<u>\$ 6,829</u>	<u>\$ 487</u>	<u>\$ 6,617</u>	<u>\$ 152,563</u>	<u>\$ 1,640</u>	<u>\$ 242</u>

See accompanying independent auditor's report.

City of Wellington, Kansas
Trust Funds
Schedule of Cash Receipts & Expenditures
For the Year Ended December 31, 2010

	Public Library Trust	Annie Hamilton Trust	Mildred Share McLean Trust	Mansolcum Maintenance	Regional Park Trust	Municipal Auditorium Renovation	Recreation Trust	Municipal Golf Course Trust	Ambulance Service Trust	Municipal Airport Trust	Nichols Family Trust	Drug Tax Dist. Trust	Cemetery Beautifi- cation Trust	Cara Saunders Memorial Trust	Drug Awareness Trust	Housing Authority Reserve	Law Enforcement Trust	Employee Community Service
Receipts																		
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property:																		
Interest	1,325	6	34	50	354	1,486	98	25	2	5	6	23	23	2	29	-	18	-
Farm rent	-	-	-	-	3,225	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
Other revenue	-	-	-	-	5,877	-	35,257	-	-	-	327	43	475	-	7,653	-	1,000	-
Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,309	-
Other financing sources:																		
Operating transfers in	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts	\$ 1,325	\$ 6	\$ 34	\$ 50	\$ 9,456	\$ 1,486	\$ 35,355	\$ 25	\$ 2	\$ 5	\$ 333	\$ 95	\$ 498	\$ 2	\$ 7,682	\$ -	\$ 12,327	\$ -
Expenditures																		
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 383	\$ -	\$ 464	\$ -	\$ -	\$ -	\$ -	\$ -
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	-	-	1,674	-	-	9,285	-	13,960	-
Recreation and culture	3,834	-	-	-	31,716	1,547	1,684	1,504	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financing uses:																		
Operating transfer to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	\$ 3,834	\$ -	\$ -	\$ -	\$ 31,716	\$ 1,547	\$ 1,684	\$ 1,504	\$ -	\$ -	\$ 383	\$ 1,674	\$ 464	\$ -	\$ 9,285	\$ -	\$ 13,960	\$ -
Receipts Over (Under) Expenditures	\$ (2,509)	\$ 6	\$ 34	\$ 50	\$ (22,260)	\$ (61)	\$ 33,671	\$ (1,479)	\$ 2	\$ 5	\$ (50)	\$ (1,579)	\$ 34	\$ 2	\$ (1,603)	\$ -	\$ (1,633)	\$ -
Unencumbered Cash, Beginning	365,808	1,591	9,327	13,688	100,943	409,533	(8,051)	7,103	630	1,418	1,669	6,836	6,234	483	9,308	172,820	4,031	72
Prior Year Cancelled Encumbrances	-	-	-	-	-	-	1,019	-	-	-	-	-	-	-	-	-	-	-
Unencumbered Cash, Ending	<u>\$ 363,299</u>	<u>\$ 1,597</u>	<u>\$ 9,361</u>	<u>\$ 13,738</u>	<u>\$ 78,683</u>	<u>\$ 409,472</u>	<u>\$ 26,639</u>	<u>\$ 5,624</u>	<u>\$ 632</u>	<u>\$ 1,423</u>	<u>\$ 1,619</u>	<u>\$ 5,257</u>	<u>\$ 6,268</u>	<u>\$ 485</u>	<u>\$ 7,705</u>	<u>\$ 172,820</u>	<u>\$ 2,398</u>	<u>\$ 72</u>

See accompanying independent auditor's report.

City of Wellington, Kansas
Agency Funds
Summary of Cash Receipts and Cash Disbursements
For the Year Ended December 31, 2011

<u>Funds</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Claims Fund	\$ 13,373	\$ 531,989	\$ 530,072	\$ 15,290

City of Wellington, Kansas
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Department of Homeland Security Direct Programs:			
Assistance to Firefighters			
Grant EMW-2008 FO-00751	97.044		\$ 998
<i>Subtotal Department of Homeland Security Direct Programs</i>			<u>\$ 998</u>
Department of Health and Human Services			
Pass-Through Programs From:			
Kansas Department of Health and Environment:			
Injury Prevention Grant	93.991	not known	2,400
Kansas Department of Social and Rehabilitation Services:			
Substance Abuse and Mental Health			
Services Projects of Regional and National			
Significance	93.243	SPF09-01-12	\$ 158,862
<i>Total Department of Health and Human Services</i>			<u>\$ 161,262</u>
Department of Agriculture Direct Programs:			
Community Facility Loans and Grants			
Direct Loan (See Note 3)	10.766		394,200
Grant	10.766		\$ 50,000
<i>Sub-total Department of Agriculture Direct Programs</i>			<u>\$ 444,200</u>
Pass-Through Program From:			
Kansas Forestry Service:			
Cooperative Forestry Assistance	10.664	SU-215	\$ 344
<i>Total Department of Agriculture</i>			<u>\$ 444,544</u>
Department of Transportation Direct Program			
Airport Improvement Program			
Project #3-20-0087-12	20.106		40,114
<i>Sub-total Department of Transportation Direct Programs</i>			<u>\$ 40,114</u>
Department of Transportation			
Pass-Through Program From:			
Kansas Department of Transportation:			
Special Traffic Enforcement Program	20.600	QP-1325-11	\$ 1,567
<i>Total Department of Transportation</i>			<u>\$ 41,681</u>
Environmental Protection Agency			
Pass-through Program From:			
Kansas Department of Health and Environment:			
Capitalization Grants For Clean Water State			
Revolving Funds (see Note 3)	66.458	KWPCRF C20 1722 01	\$ 28,269
<i>Total Environmental Protection Agency</i>			<u>\$ 28,269</u>
Total Expenditures of Federal Awards			<u><u>\$ 676,754</u></u>

City of Wellington, Kansas
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2011

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the City of Wellington, Kansas under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the operations of the City of Wellington, Kansas, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Wellington, Kansas.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3. Loans

The City has two federal loan programs with outstanding balances as of December 31, 2011. The programs and balances at 12/31/11 were:

EPA Capitalization Grants for Clean Water State Revolving Loan Funds	\$13,059,364
USDA Community Facility Direct Loan	<u>394,200</u>
Total loans outstanding under federal loan programs	<u>\$13,453,564</u>

See accompanying Independent Auditor's Report

City of Wellington, Kansas

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2011

ALL FEDERAL PROGRAMS

Finding 2010-1 Recognition of Expenditure and Liability in the Proper Accounting Period

Condition:

A payment on a construction contract related to a federal program was paid in January, 2011 and recorded as a 2011 expenditure. Although the billing date used by the contractor was in January, 2011, the payment was for contract retainage and a change order billing adjustment. All contract performance and activity under the contract had been completed in 2010. Under the criteria above, this expenditure should have been recognized in 2010 as an expenditure and a liability at 12/31/10.

Current Status:

This finding was fully corrected in 2011 and 2012.

These were the prior year findings relative to federal awards. Current status of other prior year findings have not been presented.

City of Wellington, Kansas

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2011

Section I—Summary of Auditor’s Results

Financial Statements

- Type of auditor’s report issued: Unqualified opinion on the 2011 prescribed basis financial statements of the City of Wellington, Kansas.
- Internal control over financial reporting:
 - Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified? Yes No
- Noncompliance material to financial statements noted? Yes No

Federal Awards

- Internal controls over major programs:
 - Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified? Yes No
- Type of auditor’s report issued on compliance for major programs: Unqualified opinion
- Any audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No
This was finding 2011-1.
- Identification of major program:
 - Department of Agriculture, Community Facility Loans and Grants, Federal CFDA Number 10.766, direct award
- The dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- Auditor qualified as low-risk auditee? Yes No

Section II—Financial Statement Findings

NONE

Section III—Federal Award Findings and Questioned Costs

DEPARTMENT OF AGRICULTURE:

Community Facilities Loans and Grants—CFDA Number 10.766

Finding 2011-1: Reporting Requirements

Criteria:

The USDA issued a Letter of Conditions with content similar to a grant contract that listed many requirements the City had to meet in order to receive the USDA loan and grant covering most of the cost of a street improvement project. In the section of the letter titled “Conditions to be Met After Loan Closing”, requirement (b) stated, “Within 20 days after the end of each quarter, provide me (USDA Area Director) with two copies of Form RD 442-2, Statement of Budget, Income and Equity.” Requirement (c) stated, “Within 60 days after the end of your fiscal year, provide me with two copies of Form RD 442-2... which will include your proposed budget for the next fiscal year and two

City of Wellington, Kansas

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2011

copies of Form RD 442-3, Balance Sheet.” In addition, the 2011 OMB Compliance Supplement also requires the filing of these two reports. No other reports are required.

Condition:

There was not an effective internal control to ensure that all required reports were prepared. The two required reports were not prepared or filed with USDA. There were no questioned costs as a result of this condition.

Context:

Neither the quarterly or annual reports were prepared. These reports are financial in nature and were required after the completion of the underlying construction project. After year end and the project was complete, management did contact a USDA representative as to reporting requirements and was informed that there were quarterly and annual reports required which would be further explained by the representative. However, the further explanation was not received and no further follow up on the reporting requirement occurred.

Effect:

The reports provide the Department of Agriculture information to monitor the City’s financial status and its ability to repay its loans to the Department. Without these reports, the Department is unable to monitor the City’s financial status.

Cause:

The federal program manager designated to manage the federal program was unaware of the filing requirement, due to lack of experience and training with the reporting requirements of federal awards. The manager has had experience in some aspects of grant management, such as procurement but not grant financial reporting.

Recommendation:

The city’s policy for most federal programs is to assign compliance responsibility to the department head responsible for expenditure of funds. This is adequate for smaller programs without complex reporting requirements, but for programs with reporting, cash management or other complex requirements, the city should consider assigning compliance requirements relating to these requirements to personnel with financial training and experience. In addition, personnel given responsibility for compliance with federal requirements should be directed to read OMB’s Compliance Supplement and all grant contract documents for compliance requirements.

Views of Responsible Officials and Planned Corrective Action:

Management concurs with this finding. As a result of the audit finding, the Clerk/Finance Director has since filed all required reports. A financial report has been custom programmed to provide the necessary information for future reporting and the due dates of the reports have been scheduled for timely filing. Responsibility for ongoing financial reporting for federal programs has been assigned to the Clerk/Finance Director.

City of Wellington, Kansas
General Fund
Detailed Revenue and Expenditures - Statutory
Years Ended December 31, 2011 and 2010

<u>REVENUE</u>	<u>2011</u>			Variance- Favorable (Unfavorable)
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
<u>Taxes</u>				
Ad valorem property tax	\$1,370,305	\$1,164,135	\$1,331,734	\$ (167,599)
Delinquent tax	55,962	42,927	37,000	5,927
Sales tax	1,116,649	1,132,200	1,140,000	(7,800)
Special assessments	3,984	10,579	2,400	8,179
Total taxes	<u>\$2,546,900</u>	<u>\$2,349,841</u>	<u>\$2,511,134</u>	<u>\$ (161,293)</u>
<u>Intergovernmental Revenue</u>				
Federal grants & FEMA	\$ -	\$ 1,911	\$ -	\$ 1,911
State grants & other revenue	18,231	20,631	18,231	2,400
Alcoholic liquor fund	12,279	11,274	11,277	(3)
State highway connection links	50,826	50,826	48,000	2,826
Recreational vehicle tax	1,993	2,643	2,915	(272)
Motor vehicle tax	<u>170,240</u>	<u>250,505</u>	<u>219,434</u>	<u>31,071</u>
Total intergovernmental revenue	<u>\$ 253,569</u>	<u>\$ 337,790</u>	<u>\$ 299,857</u>	<u>\$ 37,933</u>
<u>Licenses and Fees</u>				
Franchise taxes	\$ 296,478	\$ 286,981	\$ 345,000	\$ (58,019)
Occupation licenses and amusement	20,635	21,205	13,180	8,025
Electric licenses	2,705	2,775	2,500	275
Plumbing licenses	1,230	2,025	2,000	25
Mammalian pet licenses	3,223	3,431	3,000	431
Cereal malt beverage, liquor, club licenses	4,250	4,800	3,300	1,500
Building permits	14,743	15,539	12,500	3,039
Burial permits	8,710	12,210	15,000	(2,790)
Plumbing permits	2,722	3,958	2,700	1,258
Electric permits	2,524	2,269	2,200	69
Lake recreation permits	90,494	71,433	74,500	(3,067)
Other permits	2,342	3,782	2,050	1,732
Administrative & other fees	<u>47,158</u>	<u>44,310</u>	<u>43,230</u>	<u>1,080</u>
Total license and permits	<u>\$ 497,214</u>	<u>\$ 474,718</u>	<u>\$ 521,160</u>	<u>\$ (46,442)</u>

City of Wellington, Kansas
General Fund
Detailed Revenue and Expenditures - Statutory
Years Ended December 31, 2011 and 2010

	2010 <u>Actual</u>	2011		Variance- Favorable (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>Other Revenue</u>				
Ambulance service	\$ 275,314	\$ 285,887	\$ 300,000	\$ (14,113)
Ambulance subsidy - County	269,499	235,345	254,092	(18,747)
Lake subsidy - County	15,000	15,000	15,000	
Sale of cemetery lots	3,734	8,694	5,000	3,694
Other sales and rentals	20,378	33,295	18,000	15,295
Police court fines	72,368	77,349	83,000	(5,651)
Rural fire contracts	45,256	52,919	41,500	11,419
Miscellaneous	28,138	10,880	8,500	2,380
Interest earnings	13,562	11,612	12,000	(388)
Cancelled encumbrances	17,870	43,625	-	43,625
Insurance claims received	35,797	10,842	-	10,842
Reimbursed expenses	64,239	145,930	46,100	99,830
Oil & gas lease	-	954,283	-	954,283
Reimbursements from other funds	<u>1,076,010</u>	<u>1,064,216</u>	<u>1,064,216</u>	<u>-</u>
Total other revenue	<u>\$1,937,165</u>	<u>\$2,949,877</u>	<u>\$1,847,408</u>	<u>\$1,102,469</u>
 Total revenue	 <u>\$5,234,848</u>	 <u>\$6,112,226</u>	 <u>\$5,179,559</u>	 <u>\$ 932,667</u>
<u>Other financing sources</u>				
Operating & residual equity transfers:				
Water & sewage	730,480	277,349	277,349	-
Electric utility	975,053	1,046,466	1,046,466	-
Sanitation utility	88,035	83,552	83,552	-
Multi year capital improvement fund	-	-	-	-
Other funds	<u>318</u>	<u>401</u>	<u>1,000</u>	<u>(599)</u>
Total other financing sources	<u>\$1,793,886</u>	<u>\$1,407,768</u>	<u>\$1,408,367</u>	<u>\$ (599)</u>
 Total revenue and other sources	 <u>\$7,028,734</u>	 <u>\$7,519,994</u>	 <u>\$6,587,926</u>	 <u>\$ 932,068</u>
<u>EXPENDITURES</u>				
<u>Mayor and City Council</u>				
Personal services	\$ 12,519	\$ 12,949	\$ 12,951	\$ 2
Commodities	178	675	1,385	710
Contractual services	<u>5,138</u>	<u>3,655</u>	<u>4,650</u>	<u>995</u>
Total mayor and city council	<u>\$ 17,835</u>	<u>\$ 17,279</u>	<u>\$ 18,986</u>	<u>\$ 1,707</u>
<u>City Manager's Office</u>				
Personal services	\$ 196,657	\$ 199,659	\$ 208,389	\$ 8,730
Commodities	2,670	2,884	1,300	(1,584)
Contractual services	7,933	10,337	17,265	6,928
Capital outlay	<u>-</u>	<u>1,192</u>	<u>-</u>	<u>(1,192)</u>
Total city manager's office	<u>\$ 207,260</u>	<u>\$ 214,072</u>	<u>\$ 226,954</u>	<u>\$ 12,882</u>

See accompanying independent auditor's report.

City of Wellington, Kansas
General Fund
Detailed Revenue and Expenditures - Statutory
Years Ended December 31, 2011 and 2010

	2010 <u>Actual</u>	2011		Variance- Favorable (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>City Clerk's Office</u>				
Personal services	\$ 297,414	\$ 304,904	\$ 308,883	\$ 3,979
Commodities	5,974	4,093	6,400	2,307
Contractual services	25,190	27,376	25,635	(1,741)
Capital outlay	-	-	-	-
Total city clerk's office	<u>\$ 328,578</u>	<u>\$ 336,373</u>	<u>\$ 340,918</u>	<u>\$ 4,545</u>
<u>Utility Collections</u>				
Personal services	\$ 216,343	\$ 222,589	\$ 225,745	\$ 3,156
Commodities	6,311	4,730	7,365	2,635
Contractual services	43,512	45,814	46,825	1,011
Capital outlay	2,070	2,105	2,300	195
Total utility collections	<u>\$ 268,236</u>	<u>\$ 275,238</u>	<u>\$ 282,235</u>	<u>\$ 6,997</u>
<u>Director of Public Works & Recreation</u>				
Personal services	\$ 87,906	\$ -	\$ -	\$ -
Commodities	881	-	-	-
Contractual services	549	496	-	(496)
Capital outlay	-	-	-	-
Total public works/economic development	<u>\$ 89,336</u>	<u>\$ 496</u>	<u>\$ -</u>	<u>\$ (496)</u>
<u>General Services</u>				
Personal services	\$ -	\$ -	\$ -	\$ -
Commodities	19,648	20,029	17,400	(2,629)
Contractual services	60,555	67,742	70,970	3,228
Capital outlay	-	-	-	-
Total general services	<u>\$ 80,203</u>	<u>\$ 87,771</u>	<u>\$ 88,370</u>	<u>\$ 599</u>
<u>Contributions</u>				
Appropriation to Chisholm Trail Museum	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Appropriation to Senior Citizens Center	4,000	5,000	5,000	-
Miscellaneous appropriation	5,200	6,000	6,000	-
Appropriation to Futures Unlimited	5,000	10,000	10,000	-
Total contributions	<u>\$ 21,200</u>	<u>\$ 28,000</u>	<u>\$ 28,000</u>	<u>\$ -</u>

City of Wellington, Kansas
General Fund
Detailed Revenue and Expenditures - Statutory
Years Ended December 31, 2011 and 2010

	2010 Actual	2011		Variance- Favorable (Unfavorable)
		Actual	Budget	
<u>Janitorial</u>				
Personal services	\$ 35,894	\$ 36,882	\$ 37,161	\$ 279
Commodities	3,975	3,326	5,500	2,174
Contractual services	2,580	2,079	1,900	(179)
Capital outlay	-	-	1,100	1,100
Total janitorial	\$ 42,449	\$ 42,287	\$ 45,661	\$ 3,374
<u>Police Department</u>				
Personal services	\$1,147,182	\$1,212,684	\$1,276,337	\$ 63,653
Commodities	70,231	74,095	75,560	1,465
Contractual services	72,791	66,798	76,474	9,676
Capital outlay	1,750	12,704	8,000	(4,704)
Total police department	\$1,291,954	\$1,366,281	\$1,436,371	\$ 70,090
<u>Fire Department</u>				
Personal services	\$1,434,189	\$1,414,120	\$1,502,983	\$ 88,863
Commodities	77,663	94,677	92,650	(2,027)
Contractual services	77,288	74,420	83,376	8,956
Capital outlay	1,750	-	-	-
Total fire department	\$1,590,890	\$1,583,217	\$1,679,009	\$ 95,792
<u>Municipal Auditorium</u>				
Personal services	\$ -	\$ -	\$ -	\$ -
Commodities	1,401	780	5,750	4,970
Contractual services	33,323	34,938	33,860	(1,078)
Capital outlay	-	-	-	-
Total park department	\$ 34,724	\$ 35,718	\$ 39,610	\$ 3,892
<u>Park Department</u>				
Personal services	\$ 199,976	\$ 197,668	\$ 218,246	\$ 20,578
Commodities	40,319	34,780	36,630	1,850
Contractual services	12,025	13,354	14,460	1,106
Capital outlay	-	-	-	-
Total park department	\$ 252,320	\$ 245,802	\$ 269,336	\$ 23,534
<u>Swimming Pool</u>				
Personal services	\$ -	\$ -	\$ -	\$ -
Commodities	6,260	2,318	6,000	3,682
Contractual services	20,938	16,563	37,700	21,137
Capital outlay	-	2,642	3,000	358
Total swimming pool	\$ 27,198	\$ 21,523	\$ 46,700	\$ 25,177
<u>Street Department</u>				
Personal services	\$ 578,724	\$ 629,679	\$ 674,920	\$ 45,241
Commodities	312,255	287,273	355,650	68,377
Contractual services	27,127	79,872	30,000	(49,872)
Capital outlay	2,327	-	-	-
Total street department	\$ 920,433	\$ 996,824	\$1,060,570	\$ 63,746

See accompanying independent auditor's report.

City of Wellington, Kansas
General Fund
Detailed Revenue and Expenditures - Statutory
Years Ended December 31, 2011 and 2010

	2010 Actual	2011		Variance- Favorable (Unfavorable)
		Actual	Budget	
<u>Cemetery</u>				
Personal services	\$ 77,749	\$ 83,215	\$ 84,087	\$ 872
Commodities	19,509	19,111	21,250	2,139
Contractual services	3,579	6,329	5,150	(1,179)
Capital outlay	2,749	-	-	-
Total cemetery	\$ 103,586	\$ 108,655	\$ 110,487	\$ 1,832
<u>Engineering, Planning and Inspection</u>				
Personal services	\$ 333,393	\$ 334,514	\$ 338,863	\$ 4,349
Commodities	5,055	4,683	7,645	2,962
Contractual services	7,168	10,931	11,390	459
Capital outlay	6,568	800	8,000	7,200
Total engineering, planning & inspection	\$ 352,184	\$ 350,928	\$ 365,898	\$ 14,970
<u>Legal and Police Court</u>				
Personal services	\$ 68,008	\$ 69,007	\$ 69,062	\$ 55
Commodities	1,563	789	1,570	781
Contractual services	59,666	59,848	59,409	(439)
Capital outlay	-	-	-	-
Total legal and police court	\$ 129,237	\$ 129,644	\$ 130,041	\$ 397
<u>Lake Recreation</u>				
Personal services	\$ 125,727	\$ 128,444	\$ 130,382	\$ 1,938
Commodities	20,801	30,128	23,900	(6,228)
Contractual services	7,685	7,608	7,300	(308)
Capital outlay	750	8,131	7,000	(1,131)
Total lake recreation	\$ 154,963	\$ 174,311	\$ 168,582	\$ (5,729)
<u>Non-Departmental</u>				
Reimbursed expenses & other	\$ 94,643	\$ 107,907	\$ 106,941	\$ (966)
Contractual services	4,623	810	2,300	1,490
Capital outlay	419,271	-	-	-
Contingencies	-	-	1,023,075	1,023,075
Total reimbursed expenses & other	\$ 518,537	\$ 108,717	\$ 1,132,316	\$ 1,023,599
<u>Operating Transfers</u>				
Transfer to Equipment Reserve	\$ 89,000	\$ 64,550	\$ 44,550	\$ (20,000)
Transfer to Golf Fund	45,000	57,500	57,500	-
Transfer to Airport	35,000	25,000	25,000	-
Transfer to Capital Improvement	395,729	330,000	245,000	(85,000)
Transfer to other funds	13,375	17,375	13,375	(4,000)
Total operating transfers	\$ 578,104	\$ 494,425	\$ 385,425	\$ (109,000)
Total expenditures and operating transfers	\$7,009,227	\$6,617,561	\$7,855,469	\$1,237,908

See accompanying independent auditor's report.

City of Wellington, Kansas
Proprietary Fund
Water and Sewage Utility
Detailed Revenue and Expenditures - Statutory
Years Ended December 31, 2011 and 2010

	2010 <u>Actual</u>	2011		Variance- Favorable (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>REVENUE</u>				
<u>Water Sales and Sewer Service Charges</u>				
Sale of water to customers	\$ 1,179,711	\$ 1,291,411	\$ 1,315,200	\$ (23,789)
Sewer Service charges	1,618,221	1,584,209	1,679,870	(95,661)
Interdepartmental water sales	9,907	8,528	11,000	(2,472)
Penalties	54,694	51,545	49,000	2,545
New water services	13,282	10,836	16,875	(6,039)
Cash basis conversion	(28,455)	(15,399)	-	(15,399)
Total water sales and sewer service charges	<u>\$ 2,847,360</u>	<u>\$ 2,931,130</u>	<u>\$ 3,071,945</u>	<u>\$ (140,815)</u>
<u>Other Revenue</u>				
Interest earnings	\$ -	\$ -	\$ -	\$ -
Miscellaneous	23,837	71,366	7,267	64,099
Accrued interest on bond sales	-	7,516	-	7,516
Sale of revenue bonds	-	3,576,960	-	3,576,960
Total other revenue	<u>\$ 23,837</u>	<u>\$ 3,655,842</u>	<u>\$ 7,267</u>	<u>\$ 3,648,575</u>
Total revenue	<u>\$ 2,871,197</u>	<u>\$ 6,586,972</u>	<u>\$ 3,079,212</u>	<u>\$ 3,507,760</u>
<u>EXPENDITURES</u>				
<u>Production</u>				
Personal services	\$ 199,836	\$ 204,346	\$ 214,232	\$ 9,886
Commodities	142,857	150,934	174,425	23,491
Contractual services	18,815	46,691	39,500	(7,191)
Capital outlay	28,382	26,232	33,200	6,968
Total production	<u>\$ 389,890</u>	<u>\$ 428,203</u>	<u>\$ 461,357</u>	<u>\$ 33,154</u>
<u>Distribution</u>				
Personal services	\$ 270,281	\$ 286,414	\$ 279,590	\$ (6,824)
Commodities	97,511	113,416	105,164	(8,252)
Contractual services	20,157	13,292	25,040	11,748
Capital outlay	2,835	-	-	-
Total distribution	<u>\$ 390,784</u>	<u>\$ 413,122</u>	<u>\$ 409,794</u>	<u>\$ (3,328)</u>

City of Wellington, Kansas
Proprietary Fund
Water and Sewage Utility
Detailed Revenue and Expenditures - Statutory
Years Ended December 31, 2011 and 2010

	2010 <u>Actual</u>	2011		Variance- Favorable (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>Sewage Treatment</u>				
Personal services	\$ 224,206	\$ 258,664	\$ 273,205	\$ 14,541
Commodities	58,230	60,619	78,900	18,281
Contractual services	53,685	121,129	39,050	(82,079)
Capital outlay	-	-	-	-
Total sewage treatment	<u>\$ 336,121</u>	<u>\$ 440,412</u>	<u>\$ 391,155</u>	<u>\$ (49,257)</u>
<u>Debt Retirement</u>				
Principal retired	\$ 589,930	\$ 608,534	\$ 1,149,458	\$ 540,924
Principal defeased	-	4,111,698	-	(4,111,698)
Principal paid on WWTP revolving loan	-	536,610	-	(536,610)
Interest	451,875	788,675	823,217	34,542
Total debt retirement	<u>\$ 1,041,805</u>	<u>\$ 6,045,517</u>	<u>\$ 1,972,675</u>	<u>\$ (4,072,842)</u>
<u>Non-Departmental</u>				
Commodities	\$ -	\$ 1,319	\$ 1,900	\$ 581
Contractual services	32,074	33,828	26,093	(7,735)
Administrative reimbursements to general funds	165,081	162,773	162,773	-
Capital outlay	-	-	-	-
Cost of issuance	-	25,875	-	(25,875)
Total non-departmental	<u>\$ 197,155</u>	<u>\$ 223,795</u>	<u>\$ 190,766</u>	<u>\$ (33,029)</u>
Total expenditures	<u>\$ 2,355,755</u>	<u>\$ 7,551,049</u>	<u>\$ 3,425,747</u>	<u>\$ (4,125,302)</u>
<u>Operating Transfers</u>				
Operating transfer to general	\$ 730,480	\$ 357,159	\$ 277,349	\$ (79,810)
Operating transfer to utility capital improvement	300,000	714,000	714,000	-
	-	-	-	-
Total transfers	<u>\$ 1,030,480</u>	<u>\$ 1,071,159</u>	<u>\$ 991,349</u>	<u>\$ (79,810)</u>
Total expenditures and other uses	<u>\$ 3,386,235</u>	<u>\$ 8,622,208</u>	<u>\$ 4,417,096</u>	<u>\$ (4,205,112)</u>

City of Wellington, Kansas
Proprietary Fund
Electric Utility System Fund
Detailed Revenue and Expenditures - Statutory
Years Ended December 31, 2011 and 2010

	2010 <u>Actual</u>	2011		Variance- Favorable (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
REVENUE				
Electricity Sales and Fees				
Residential service	\$ 2,367,839	\$ 2,423,487	\$ 2,185,225	\$ 238,262
Commercial and industrial service	2,372,835	2,663,619	2,603,792	59,827
Interdepartmental	77,972	84,963	112,999	(28,036)
Wholesale revenue	555,823	340,826	-	340,826
Fuel adjustments	6,415,204	6,799,977	6,525,612	274,365
Electric penalties	71,025	70,986	72,000	(1,014)
Other fees	45,570	37,073	35,400	1,673
Cash basis conversion	(131,842)	(201,081)	-	(201,081)
Total sales and fees	<u>\$ 11,774,426</u>	<u>\$ 12,219,850</u>	<u>\$ 11,535,028</u>	<u>\$ 684,822</u>
Other Revenue				
Interest earnings	\$ 453,671	\$ 408,357	\$ 397,786	\$ 10,571
Miscellaneous	45,874	128,178	14,533	113,645
Reimb from other fund	25,000	73,000	25,000	48,000
Transfer from other fund	-	-	-	-
Sale of revenue bonds	-	1,223,040	-	1,223,040
Kansas Power Pool refund	196,510	196,510	-	196,510
FEMA funds	-	-	-	-
Total other revenue	<u>\$ 721,055</u>	<u>\$ 2,029,085</u>	<u>\$ 437,319</u>	<u>\$ 1,591,766</u>
Total revenue	<u>\$ 12,495,481</u>	<u>\$ 14,248,935</u>	<u>\$ 11,972,347</u>	<u>\$ 2,276,588</u>
EXPENDITURES				
Production				
Personal services	\$ 697,469	\$ 688,748	\$ 721,238	\$ 32,490
Commodities	100,434	127,146	104,700	(22,446)
Contractual services	7,025,710	7,312,128	6,729,442	(582,686)
Reimbursement of OMPA mandated power	-	-	-	-
Capital outlay	7,199	-	-	-
Total production	<u>\$ 7,830,812</u>	<u>\$ 8,128,022</u>	<u>\$ 7,555,380</u>	<u>\$ (572,642)</u>
Distribution				
Personal services	\$ 740,359	\$ 746,627	\$ 881,526	\$ 134,899
Commodities	360,678	325,206	343,150	17,944
Contractual services	149,346	160,814	173,670	12,856
Capital outlay	-	3,291	2,500	(791)
Total distribution	<u>\$ 1,250,383</u>	<u>\$ 1,235,938</u>	<u>\$ 1,400,846</u>	<u>\$ 164,908</u>

City of Wellington, Kansas
Proprietary Fund
Electric Utility System Fund
Detailed Revenue and Expenditures - Statutory
Years Ended December 31, 2011 and 2010

		2011		
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
<u>Capital Improvement</u>	\$ -	\$ -	\$ -	\$ -
<u>Debt Retirement</u>				
Principal retired	\$ 1,090,070	\$ 11,466	\$ 11,466	\$ -
Principal defeased	-	1,303,302	-	(1,303,302)
Interest	90,116	45,322	51,768	6,446
Total other expenditures	<u>\$ 1,180,186</u>	<u>\$ 1,360,090</u>	<u>\$ 63,234</u>	<u>\$(1,296,856)</u>
<u>Non-Departmental</u>				
Commodities	\$ 7,629	\$ 6,686	\$ 4,000	\$ (2,686)
Other contractual	51,793	54,018	41,697	(12,321)
Administrative reimbursements to:				
General fund	703,768	693,926	693,926	-
Special liability fund	177,668	177,668	177,688	20
Capital outlay	-	12,801	-	(12,801)
Cost of issuance	-	8,847	-	(8,847)
Total non-departmental	<u>\$ 940,858</u>	<u>\$ 953,946</u>	<u>\$ 917,311</u>	<u>\$ (36,635)</u>
<u>Contingency</u>	\$ -	\$ -	\$ 1,375,375	\$ 1,375,375
Total expenditures	<u>\$ 11,202,239</u>	<u>\$ 11,677,996</u>	<u>\$ 11,312,146</u>	<u>\$ (365,850)</u>
<u>Operating Transfers</u>				
Operating transfer to general	\$ 975,053	\$ 1,046,466	\$ 1,046,466	\$ -
Operating transfer to equipment reserve	83,810	-	-	-
Operating transfer to utility capital improvement	250,000	262,000	262,000	-
Total transfers	<u>\$ 1,308,863</u>	<u>\$ 1,308,466</u>	<u>\$ 1,308,466</u>	<u>\$ -</u>
Total expenditures and other uses	<u>\$ 12,511,102</u>	<u>\$ 12,986,462</u>	<u>\$ 12,620,612</u>	<u>\$ (365,850)</u>

Wellington Public Library
Wellington, Kansas
Annual Financial Report

December 31, 2011

Kim Wiens
Librarian

Kenneth L Cooper Jr CPA, Chtd.

Certified Public Accountant
Wellington, Kansas

Wellington Public Library
Annual Financial Report
Year Ended December 31, 2011

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KENNETH L COOPER JR CPA, CHTD
Certified Public Accountant

Appendix A
Page 1

Independent Auditor's Report

Board of Directors
Wellington Public Library
Wellington, Kansas 67152

I have audited the accompanying summary statement of cash receipts, cash disbursements and cash balances of the Wellington Public Library, a component unit of the City of Wellington, Kansas, as of and for the year ended December 31, 2011. This financial statement is the responsibility of the Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described more fully in Note 1, the Library has prepared this financial statement on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.


In my opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended

In my opinion, the Library's financial statement referred to above presents fairly, in all material respects, the aggregate cash balances of the Wellington Public Library, Wellington, Kansas, as of December 31, 2011, and the aggregate cash receipts and disbursements for the year then ended, on the basis of accounting described in Note 1.

My audit was performed for the purpose of forming an opinion on the 2011 financial statement. The schedule of cash receipts, disbursements and changes in cash balances for the individual funds of the Library are presented for analysis and are not a required part of the financial statement. Such information is the responsibility of management and the 2011 supplementary information was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statement. The 2011 information has been subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statement or to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the 2011 financial statement taken as a whole.

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The 2010 Actual columns presented in the individual fund schedules of cash receipts and expenditures-actual and budget are also presented for comparative analysis and are not a required part of the 2010 financial statements upon which I rendered an unqualified opinion dated July 22, 2011. The 2010 financial statements and my accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such 2010 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 financial statements. The 2010 comparative information was subjected to the auditing procedures applied in the audit of the 2010 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2010 financial statement or to the 2010 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the 2010 comparative information is fairly stated in all material respects in relation to the 2010 financial statements as a whole.


Certified Public Accountant

June 26, 2012

Wellington Public Library
Wellington, Kansas
Summary of Cash Receipts, Disbursements and Cash Balances
For the Year Ended December 31, 2011

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
General	\$ 11,084	\$ 215,778	\$ 222,015	\$ 4,847
Gifts and Memorials	21,147	6,775	9,661	18,261
AAUW Endowment	15,716	214	214	15,716
Building	1,079	1	-	1,080
Total	\$ 49,026	\$ 222,768	\$ 231,890	\$ 39,904

Composition of Cash Balance:

Cash on hand-desk balance	\$ 27
First National Bank of Wellington, checking accounts	
Operating account	\$ 4,542
Revolving account	45
Bank of Commerce	
Youth Volunteer account	232
Interest earning accounts	
First National Bank CD	716
Bank of Commerce CD	15,000
Bank of Commerce money market accounts	1,081
Bank of Commerce savings account	-
First National Bank-Memorial	18,261
	-
Total cash, December 31, 2011	\$ 39,904

Wellington Public Library
Wellington, Kansas
Notes to Financial Statement
December 31, 2011

1. Summary of Significant Accounting Policies

Basis of Accounting

The cash basis of accounting is followed by this component unit of the City of Wellington, Kansas. Revenues are recognized when cash is received and expenditures are recorded when cash is paid. Generally accepted accounting principles require reporting on the modified accrual basis of accounting. Under the modified accrual method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recorded when the related liability is incurred. The Library uses the regulatory reporting model prescribed by the State of Kansas to show compliance with the cash basis law.

Fund accounting

In governmental 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 attaining certain objectives in accordance with special regulations, restrictions or limitations.

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

Governmental Funds

General fund--the general operating fund of the Public Library. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Fund-- to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted, by law or administrative action, to expenditures for specified purposes.

Fiduciary Funds--to account for assets held by the Public Library in a trustee capacity or as an agent for others. These include expendable trust funds, nonexpendable trust funds and agency funds.

Departure from Accounting Principles Generally Accepted in the United States

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and cash balances. 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 municipality 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.

Wellington Public Library
Wellington, Kansas
Notes to Financial Statement
December 31, 2011

2. Reporting Entity

The Wellington Public Library Board, defined as a separate legal entity by applicable state statutes, provides public library facilities to the citizens of Wellington and the surrounding area. As provided by state statutes, resources provided for the financing of the library are provided by a tax levy and appropriations from the City of Wellington and grant money from various state agencies. The Library is a discretely presented component unit of the City of Wellington for reporting purposes.

3. Retirement Plans

The Library participates in the Kansas Public Employee's Retirement System which is a defined contribution plan covering substantially all employees. The Library's portion of the costs which are funded as accrued were \$8,307 in 2011 and \$8,372 in 2010. These amounts represent the annual accrual basis cost and differ from the amount actually remitted during the calendar year.

4. Endowment Funds

From time to time, the Library receives endowments from donors, which allow the interest on the funds to be used, but the principle is to remain intact. These funds are accounted for in a separate fund.

5. Other Resources

In 2004, the City of Wellington received a bequest from the estates of Frank and Frances Horton in the amount of \$400,000. This bequest was placed into the Public Library Trust of the City of Wellington and can be used for the "repairs, maintenance, improvement and additions to the Wellington Public Library". As of December 31, 2011, \$362,496 of these funds were still available.

Wellington Public Library
Wellington, Kansas
General Fund

Schedule of Cash Receipts, Disbursements, Changes in Cash Balances
For the Years Ended December 31, 2011 and 2010

<u>Receipts</u>	<u>2011</u>	<u>2010</u>
State Aid	\$ 3,773	\$ 4,344
Appropriations from City of Wellington	184,742	188,742
Grants from SCKLS	14,097	13,629
Front desk	922	648
Donations	3,000	3,000
Royalty income	9,014	7,620
Interest	80	171
Miscellaneous	150	95
Transfer from Gift & Memorial Fund	-	5,992
	<hr/>	<hr/>
Total receipts	\$ 215,778	\$ 224,241
	<hr/>	<hr/>
<u>Disbursements</u>		
Salaries	\$ 136,354	\$ 138,977
Payroll tax	10,295	10,446
KPERS-retirement	8,307	7,834
Accounting	474	100
Ad valorem tax on oil interest	463	463
Advertising/Public relations	106	303
Books, periodicals & audio-visual materials	23,042	24,418
Children's programs	2,666	3,044
Dues and memberships	135	135
Equipment rental	662	924
Equipment purchase	907	-
Equipment repairs & maintenance	10,984	1,830
Building & grounds repairs & maintenance	1,865	2,147
Fees	220	-
Insurance	203	288
Internet access	563	618
Janitor supplies	1,079	655
Library and office supplies	3,821	6,004
Postage	1,766	2,905
Printing and publicity	-	-
Miscellaneous & Special Projects	1,149	622
Telephone	4,094	4,815
Travel and workshops	1,275	811
Utilities	11,585	12,617
	<hr/>	<hr/>
Total disbursements	\$ 222,015	\$ 219,956
	<hr/>	<hr/>
Excess of receipts over (under) disbursements	\$ (6,237)	\$ 4,285
Cash balance, beginning of year	11,084	6,799
	<hr/>	<hr/>
Cash balance, end of year	\$ 4,847	\$ 11,084
	<hr/>	<hr/>

Wellington Public Library
Wellington, Kansas
Gifts & Memorials Fund
Schedule of Cash Receipts, Disbursements, Changes in Cash Balances
For the Years Ended December 31, 2011 and 2010

<u>Receipts</u>	<u>2011</u>	<u>2010</u>
Donations	\$ 5,660	\$ 1,386
Front Desk	32	-
Royalties	1,043	-
Interest	<u>40</u>	<u>125</u>
 Total receipts	 <u>\$ 6,775</u>	 <u>\$ 1,511</u>
 <u>Disbursements</u>		
Books, periodicals & audiovisual materials	\$ -	\$ 4,763
Equipment repair and grounds maintenance	8,852	705
Equipment purchases	809	-
Transfer to general fund	<u>-</u>	<u>5,992</u>
 Total disbursements	 <u>\$ 9,661</u>	 <u>\$ 11,460</u>
 Excess of receipts over (under) disbursements	 \$ (2,886)	 \$ (9,949)
Cash balance, beginning of year	<u>21,147</u>	<u>31,096</u>
 Cash balance, end of year	 <u>\$ 18,261</u>	 <u>\$ 21,147</u>

Wellington Public Library
Wellington, Kansas
AAUW Endowment
Schedule of Cash Receipts, Disbursements, Changes in Cash Balances
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Receipts</u>		
Donations	\$ -	\$ -
Interest	<u>214</u>	<u>269</u>
	214	269
 <u>Disbursements</u>		
Books, periodicals & audio-visual materials	<u>214</u>	<u>269</u>
Excess of receipts over (under) disbursements	-	-
Cash balance, beginning of year	<u>15,716</u>	<u>15,716</u>
Cash balance, end of year	<u>\$ 15,716</u>	<u>\$ 15,716</u>

Wellington Public Library
Wellington, Kansas
Building Fund
Schedule of Cash Receipts, Disbursements, Changes in Cash Balances
For the Years Ended December 31, 2011 and 2010

<u>Receipts</u>	<u>2011</u>	<u>2010</u>
Donations	\$ -	\$ -
Interest	1	1
Transfers	-	-
	<hr/>	<hr/>
Total receipts	\$ 1	\$ 1
<u>Disbursements</u>		
Miscellaneous and special projects	\$ -	\$ -
	<hr/>	<hr/>
Excess of receipts over (under) disbursements	\$ 1	\$ 1
Cash balance, beginning of year	<u>1,079</u>	<u>1,078</u>
	<hr/>	<hr/>
Cash balance, end of year	<u>\$ 1,080</u>	<u>\$ 1,079</u>

St. Luke's Hospital d/b/a Sumner Regional Medical Center
A Component Unit of the City of Wellington, Kansas
Independent Accountants' Report and Financial Statements
December 31, 2011 and 2010



St. Luke’s Hospital d/b/a Sumner Regional Medical Center
A Component Unit of the City of Wellington, Kansas
December 31, 2011 and 2010

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Independent Accountants' Report

Board of Directors
Healthcare Authority of the City of Wellington, Kansas
Governing Body for St. Luke's Hospital d/b/a Sumner Regional Medical Center
Wellington, Kansas

We have audited the accompanying basic financial statements of St. Luke's Hospital d/b/a Sumner Regional Medical Center, a component unit of the City of Wellington, Kansas, and its discretely presented component unit as of December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Luke's Hospital d/b/a Sumner Regional Medical Center and its discretely presented component unit as of December 31, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this missing information.

BKD, LLP

June 14, 2012

**St. Luke's Hospital d/b/a Sumner Regional Medical Center
A Component Unit of the City of Wellington, Kansas**

Balance Sheets

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 809,443	\$ 1,073,202
Short-term certificates of deposit	1,058,812	1,045,388
Restricted cash - current	62,083	60,381
Patient accounts receivable, net of allowance; 2011 - \$1,024,000, 2010 - \$1,271,000	2,414,892	2,158,188
Sales tax receivable	22,000	22,000
Estimated amounts due from third-party payers	-	31,000
Supplies	289,317	269,879
Prepaid expenses and other	<u>257,012</u>	<u>207,540</u>
Total current assets	<u>4,913,559</u>	<u>4,867,578</u>
Noncurrent Cash and Cash Equivalents		
Held under bond indenture for debt service - held by City	-	14,221
Restricted by donors for capital acquisitions	<u>70,823</u>	<u>66,422</u>
Total noncurrent cash and cash equivalents	<u>70,823</u>	<u>80,643</u>
Capital Assets, Net		
	<u>5,400,809</u>	<u>4,110,422</u>
Total assets	<u>\$ 10,385,191</u>	<u>\$ 9,058,643</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 607,894	\$ 260,600
Accounts payable	703,750	534,490
Accrued expenses	681,725	616,814
Deferred revenue	71,250	86,462
Estimated amounts due to third-party payers	<u>230,000</u>	<u>-</u>
Total current liabilities	2,294,619	1,498,366
Long-term Debt		
	<u>3,092,455</u>	<u>2,102,000</u>
Total liabilities	<u>5,387,074</u>	<u>3,600,366</u>
Net Assets		
Invested in capital assets, net of related debt	1,700,460	1,747,822
Restricted - expendable for capital acquisitions	70,818	66,421
Restricted - expendable for debt service	74,602	74,602
Unrestricted	<u>3,152,237</u>	<u>3,569,432</u>
Total net assets	<u>4,998,117</u>	<u>5,458,277</u>
Total liabilities and net assets	<u>\$ 10,385,191</u>	<u>\$ 9,058,643</u>

St. Luke's Hospital d/b/a Sumner Regional Medical Center
A Component Unit of the City of Wellington, Kansas
Sumner Regional Medical Center Endowment Foundation
Statements of Financial Position
December 31, 2011 and 2010

	2011	2010
Assets		
Cash	\$ 351,672	\$ 243,327
Short-term certificates of deposit	30,194	29,841
Mutual funds	136,274	136,422
Total assets	\$ 518,140	\$ 409,590
 Unrestricted Net Assets	 \$ 518,140	 \$ 409,590

St. Luke's Hospital d/b/a Sumner Regional Medical Center
A Component Unit of the City of Wellington, Kansas
Statements of Revenues, Expenses and Changes in Net Assets
December 31, 2011 and 2010

	2011	2010
Operating Revenues		
Net patient service revenue, net of provisions for uncollectible accounts; 2011 - \$646,000, 2010 - \$1,333,000	\$ 12,735,869	\$ 11,557,293
Other	252,990	248,259
Total operating revenues	12,988,859	11,805,552
Operating Expenses		
Salaries and wages	5,515,943	5,650,562
Employee benefits	1,553,798	1,753,754
Purchased services and professional fees	2,470,240	2,419,897
Supplies and other	3,717,469	3,433,941
Depreciation	629,819	617,794
Total operating expenses	13,887,269	13,875,948
Operating Loss	(898,410)	(2,070,396)
Nonoperating Revenues (Expenses)		
Intergovernmental revenue - utilities abatement	159,604	194,538
Intergovernmental revenue - sales tax	283,050	279,159
Interest income	15,827	24,594
Interest expense	(84,073)	(62,176)
Noncapital grants and gifts	54,358	24,536
Total nonoperating revenues	428,766	460,651
Deficiency of Revenues Over Expenses Before Capital Grants and Gifts	(469,644)	(1,609,745)
Capital Grants and Gifts	9,484	9,362
Decrease in Net Assets	(460,160)	(1,600,383)
Net Assets, Beginning of Year	5,458,277	7,058,660
Net Assets, End of Year	\$ 4,998,117	\$ 5,458,277

St. Luke's Hospital d/b/a Sumner Regional Medical Center
A Component Unit of the City of Wellington, Kansas
Sumner Regional Medical Center Endowment Foundation
Statements of Activities
December 31, 2011 and 2010

	2011	2010
Unrestricted Revenues, Gains and Other Support		
Contributions	\$ 127,077	\$ 48,972
Fund raising income	24,449	3,599
Interest and dividends income	1,075	1,102
Total revenues, gains and other support	152,601	53,673
Unrestricted Expenses		
Residential living expense	20,002	13,727
Miscellaneous expense	14,382	1,695
Fund raising expense	7,527	4,487
Support to Sumner Regional Medical Center	2,140	980
Total expenses	44,051	20,889
Change in Unrestricted Net Assets	108,550	32,784
Unrestricted Net Assets, Beginning of Year	409,590	376,806
Unrestricted Net Assets, End of Year	\$ 518,140	\$ 409,590

St. Luke's Hospital d/b/a Sumner Regional Medical Center
A Component Unit of the City of Wellington, Kansas

Statements of Cash Flows

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Activities		
Receipts from and on behalf of patients	\$ 12,724,953	\$ 12,314,652
Payments to suppliers	(5,927,755)	(5,694,259)
Payments to and on behalf of employees	(7,004,830)	(7,275,494)
Other receipts, net	<u>252,990</u>	<u>248,259</u>
Net cash provided by (used in) operating activities	<u>45,358</u>	<u>(406,842)</u>
Noncapital Financing Activities		
Sales taxes supporting operations	283,050	305,289
Noncapital grants and gifts	<u>54,358</u>	<u>24,536</u>
Net cash provided by noncapital financing activities	<u>337,408</u>	<u>329,825</u>
Capital and Related Financing Activities		
Capital grants and gifts	9,484	9,362
Proceeds from issuance of bonds payable	-	1,175,000
Payment of bond issuance costs	-	(57,484)
Principal paid on long-term debt	(434,951)	(160,400)
Interest paid on long-term debt	(84,073)	(62,176)
Purchase of capital assets	<u>(147,506)</u>	<u>(1,198,918)</u>
Net cash used in capital and related financing activities	<u>(657,046)</u>	<u>(294,616)</u>
Investing Activities		
Interest income	15,827	24,594
Purchase of certificates of deposit	(252,115)	(17,688)
Proceeds from maturities of certificates of deposit	238,691	-
Net change in construction escrow and debt-related accounts	<u>14,221</u>	<u>(14,221)</u>
Net cash provided by (used in) investing activities	<u>16,624</u>	<u>(7,315)</u>
Decrease in Cash and Cash Equivalents	<u>(257,656)</u>	<u>(378,948)</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,200,005</u>	<u>1,578,953</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 942,349</u></u>	<u><u>\$ 1,200,005</u></u>

St. Luke's Hospital d/b/a Sumner Regional Medical Center
A Component Unit of the City of Wellington, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2011 and 2010

	2011	2010
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	\$ 871,526	\$ 1,133,583
Cash and cash equivalents in noncurrent cash	70,823	66,422
Total cash	\$ 942,349	\$ 1,200,005
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities		
Operating loss	\$ (898,410)	\$ (2,070,396)
Depreciation	629,819	617,794
Abatement of utilities by City	159,604	194,538
Changes in operating assets and liabilities		
Patient accounts receivable, net	(256,704)	661,859
Estimated amounts due from and to third-party payers	261,000	89,000
Accounts payable and accrued expenses	218,959	80,666
Supplies and prepaid expenses	(68,910)	19,697
Net cash provided by (used in) operating activities	\$ 45,358	\$ (406,842)
Supplemental Cash Flows Information		
Capital lease obligations incurred for capital assets	\$ 1,772,700	\$ 528,000

St. Luke's Hospital d/b/a Sumner Regional Medical Center A Component Unit of the City of Wellington, Kansas

Notes to Financial Statements

December 31, 2011 and 2010

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

St. Luke's Hospital d/b/a Sumner Regional Medical Center (the Hospital) is operated under the Healthcare Authority of the City of Wellington, Kansas (Authority). On June 7, 1994, the Governing Body of the City of Wellington, Kansas created the Authority to operate, control and manage all matters concerning the Hospital. The Governing Body of the City of Wellington, Kansas appoints members to the Board of Directors of the Authority. Under accounting principles generally accepted in the United States of America, the Authority and Hospital constitute a discretely presented component unit of the City of Wellington, Kansas (the City), for financial reporting purposes. The Hospital primarily earns revenues by providing inpatient, outpatient, skilled nursing and geriatric psychology services for the benefit of the community.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (primarily federal and state grants) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated nonexchange transactions that are not program specific such as intergovernmental revenue from sales taxes, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The Hospital prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**St. Luke's Hospital d/b/a Sumner Regional Medical Center
A Component Unit of the City of Wellington, Kansas**

Notes to Financial Statements

December 31, 2011 and 2010

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2011 and 2010, cash equivalents consisted of money market accounts.

Intergovernmental Revenue

The Hospital received approximately 2% in both 2011 and 2010 of its financial support from the proceeds of sales taxes levied for health care integration by the City and shared with the Hospital for hospital purposes. These funds were entirely used to support operations of the Hospital. In 2010 the City agreed to abate the utilities costs due to the City from approximately July 1, 2010 through December 31, 2010. The City continued to abate the utilities through June 30, 2011. Effective July 1, 2011, the Hospital resumed payments to the City for utilities.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Hospital bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method or market.

**St. Luke's Hospital d/b/a Sumner Regional Medical Center
A Component Unit of the City of Wellington, Kansas**

Notes to Financial Statements

December 31, 2011 and 2010

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	5 – 20 years
Buildings	5 – 40 years
Equipment and major moveable equipment	3 – 10 years

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Assets

Net assets of the Hospital are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Hospital, reduced by the outstanding balances of any related borrowings. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted expendable.

**St. Luke's Hospital d/b/a Sumner Regional Medical Center
A Component Unit of the City of Wellington, Kansas**

Notes to Financial Statements

December 31, 2011 and 2010

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered, and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

Income Taxes

As an essential government function of the City, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Foundation

Sumner Regional Medical Center Endowment Foundation (the Foundation) is a legally separate, tax-exempt component unit of the Hospital. The Foundation's primary function is to raise and hold funds to support the Hospital and its programs. The board of the Foundation is self-perpetuating.

Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Hospital. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the Hospital's financial reporting entity for these differences.

**St. Luke's Hospital d/b/a Sumner Regional Medical Center
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Notes to Financial Statements

December 31, 2011 and 2010

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the financial statements were available to be issued.

Note 2: Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or billable service unit. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patient's acuity. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective reimbursement methodology.

Approximately 52% and 57% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2011 and 2010, respectively. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The 2011 net patient service revenue decreased approximately \$118,000 due to final settlements in excess of amounts previously estimated.

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Notes to Financial Statements

December 31, 2011 and 2010

Note 3: Deposits

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state of Kansas; bonds of any city, county, school district or special road district of the state of Kansas or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2011 and 2010, respectively, \$632,871 and \$1,036,737 of the Hospital's bank balances of \$2,130,923 and \$2,529,340 were exposed to custodial credit risk as follows:

	<u>2011</u>	<u>2010</u>
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	<u>\$ 632,871</u>	<u>\$ 1,036,737</u>

Summary of Carrying Values

The carrying values of deposits shown above are included in the balance sheets as follows:

	<u>2011</u>	<u>2010</u>
Carrying value		
Deposits	<u>\$ 2,001,161</u>	<u>\$ 2,259,614</u>
Included in the following balance sheet captions		
Cash and cash equivalents	\$ 809,443	\$ 1,073,202
Short-term certificates of deposit	1,058,812	1,045,388
Restricted cash - current	62,083	60,381
Noncurrent cash and cash equivalents	<u>70,823</u>	<u>80,643</u>
	<u>\$ 2,001,161</u>	<u>\$ 2,259,614</u>

St. Luke's Hospital d/b/a Sumner Regional Medical Center
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Notes to Financial Statements

December 31, 2011 and 2010

Note 4: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, 2011 and 2010, consisted of:

	<u>2011</u>	<u>2010</u>
Medicare	\$ 967,142	\$ 831,578
Medicaid	152,397	81,854
Other third-party payers	1,049,267	909,971
Patients	<u>1,270,086</u>	<u>1,605,369</u>
	3,438,892	3,428,772
Less allowance for uncollectible accounts	<u>1,024,000</u>	<u>1,270,584</u>
	<u><u>\$ 2,414,892</u></u>	<u><u>\$ 2,158,188</u></u>

Note 5: Capital Assets

Capital assets activity for the years ended December 31 was:

	<u>2011</u>				
	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u>
Land	\$ 115,142	\$ -	\$ -	\$ -	\$ 115,142
Land improvements	314,007	-	-	-	314,007
Buildings	6,667,583	17,120	-	48,584	6,733,287
Equipment	2,580,334	-	-	-	2,580,334
Major moveable equipment	5,519,946	227,988	-	-	5,747,934
Construction in progress	<u>11,872</u>	<u>1,675,098</u>	<u>-</u>	<u>(48,584)</u>	<u>1,638,386</u>
	<u>15,208,884</u>	<u>1,920,206</u>	<u>-</u>	<u>-</u>	<u>17,129,090</u>
Less accumulated depreciation					
Land improvements	305,143	3,711	-	-	308,854
Buildings	5,405,161	134,920	-	-	5,540,081
Equipment	1,042,344	174,024	-	-	1,216,368
Major moveable equipment	<u>4,345,814</u>	<u>317,164</u>	<u>-</u>	<u>-</u>	<u>4,662,978</u>
	<u>11,098,462</u>	<u>629,819</u>	<u>-</u>	<u>-</u>	<u>11,728,281</u>
Capital Assets, Net	<u><u>\$ 4,110,422</u></u>	<u><u>\$ 1,290,387</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,400,809</u></u>

**St. Luke's Hospital d/b/a Sumner Regional Medical Center
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Notes to Financial Statements

December 31, 2011 and 2010

	2010				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Land	\$ 115,142	\$ -	\$ -	\$ -	\$ 115,142
Land improvements	314,007	-	-	-	314,007
Buildings	6,667,583	-	-	-	6,667,583
Equipment	1,473,448	1,104,516	-	2,370	2,580,334
Major moveable equipment	4,907,967	614,349	-	(2,370)	5,519,946
Construction in progress	3,819	8,053	-	-	11,872
	<u>13,481,966</u>	<u>1,726,918</u>	<u>-</u>	<u>-</u>	<u>15,208,884</u>
Less accumulated depreciation					
Land improvements	301,432	3,711	-	-	305,143
Buildings	5,230,521	174,640	-	-	5,405,161
Equipment	928,907	113,437	-	-	1,042,344
Major moveable equipment	<u>4,019,808</u>	<u>326,006</u>	<u>-</u>	<u>-</u>	<u>4,345,814</u>
	<u>10,480,668</u>	<u>617,794</u>	<u>-</u>	<u>-</u>	<u>11,098,462</u>
Capital Assets, Net	<u>\$ 3,001,298</u>	<u>\$ 1,109,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,110,422</u>

Note 6: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance which provides \$200,000 of coverage for each medical incident and \$600,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional \$300,000 of coverage for each medical incident and \$900,000 of aggregate coverage for each policy year.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible this estimate could change materially in the future.

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Notes to Financial Statements

December 31, 2011 and 2010

Note 7: Long-term Debt

The following is a summary of long-term debt transactions for the Hospital for the years ended December 31, 2011 and 2010:

	2011				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Public building commission bonds payable - 2007	\$ 730,000	\$ -	\$ 90,000	\$ 640,000	\$ 95,000
Public building commission bonds payable - 2010	1,175,000	-	65,000	1,110,000	65,000
Capital lease obligations	457,600	1,772,700	279,951	1,950,349	447,894
	<u>\$ 2,362,600</u>	<u>\$ 1,772,700</u>	<u>\$ 434,951</u>	<u>\$ 3,700,349</u>	<u>\$ 607,894</u>

	2010				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Public building commission bonds payable - 2007	\$ 820,000	\$ -	\$ 90,000	\$ 730,000	\$ 90,000
Public building commission bonds payable - 2010	-	1,175,000	-	1,175,000	65,000
Capital lease obligations	-	528,000	70,400	457,600	105,600
	<u>\$ 820,000</u>	<u>\$ 1,703,000</u>	<u>\$ 160,400</u>	<u>\$ 2,362,600</u>	<u>\$ 260,600</u>

Building Commission Bonds Payable – 2007

The Public Building Commission bonds payable consist of City of Wellington, Kansas Public Building Commission Revenue Bonds Series 2007 in the original amount of \$985,000 dated December 15, 2007, which bear interest at 3.30% to 3.65%. The bonds are payable in annual installments beginning December 1, 2009 through December 1, 2017. Semi-annual interest only payments are due beginning June 1, 2008 through June 1, 2017. The Hospital is required to make monthly deposits to the debt service account of approximately \$9,500. The bonds are secured by a pledge of the gross revenues of the Hospital and the restricted cash funds set aside under the bond documents.

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Notes to Financial Statements

December 31, 2011 and 2010

The debt service requirements as of December 31, 2011, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2012	\$ 117,802	\$ 95,000	\$ 22,802
2013	119,525	100,000	19,525
2014	121,025	105,000	16,025
2015	122,297	110,000	12,297
2016	123,337	115,000	8,337
2017	119,197	115,000	4,197
	<u>\$ 723,183</u>	<u>\$ 640,000</u>	<u>\$ 83,183</u>

Building Commission Bonds Payable - 2010

The Public Building Commission bonds payable consist of City of Wellington, Kansas Public Building Commission Revenue Bonds Series 2010 in the original amount of \$1,075,000 dated March 1, 2010, which bear interest at 1.00% to 4.00%. The bonds are payable in annual installments beginning March 1, 2011 through March 1, 2025. Semi-annual interest only payments are due beginning September 1, 2010 through September 1, 2024. The Hospital is required to make monthly deposits to the debt service account of approximately \$8,100. The bonds are secured by a pledge of the gross revenues of the Hospital and the restricted cash funds set aside under the bond documents.

The debt service requirements as of December 31, 2011, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2012	\$ 97,310	\$ 65,000	\$ 32,310
2013	101,513	70,000	31,513
2014	100,427	70,000	30,427
2015	99,098	70,000	29,098
2016	97,540	70,000	27,540
2017 - 2021	585,219	480,000	105,219
2022 - 2027	315,156	285,000	30,156
	<u>\$ 1,396,263</u>	<u>\$ 1,110,000</u>	<u>\$ 286,263</u>

**St. Luke's Hospital d/b/a Sumner Regional Medical Center
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Notes to Financial Statements

December 31, 2011 and 2010

Capital Lease Obligations

The Hospital is obligated under leases for equipment that are accounted for as capital leases. The cost of assets under capital leases at December 31, 2011 and 2010, totaled \$650,700 and \$528,000, respectively, with accumulated depreciation of \$189,615 and \$70,713, respectively. The following is a schedule by year of future minimum lease payments under the capital leases including interest at rates of 0% to 2.48%, together with the present value of the future minimum lease payments as of December 31, 2011:

Year Ending December 31,		
2012	\$	481,385
2013		481,385
2014		481,385
2015		410,985
2016		181,758
Total minimum lease payments		<u>2,036,898</u>
Less amounts representing interest		<u>86,550</u>
Present value of future minimum lease payments	\$	<u><u>1,950,348</u></u>

Note 8: Restricted and Designated Net Assets

At December 31, 2011 and 2010, restricted expendable net assets were available for the following purposes:

	<u>2011</u>	<u>2010</u>
Debt service	\$ 74,602	\$ 74,602
Capital acquisitions	<u>70,822</u>	<u>66,422</u>
Total restricted expendable net assets	<u><u>\$ 145,424</u></u>	<u><u>\$ 141,024</u></u>

**St. Luke's Hospital d/b/a Sumner Regional Medical Center
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Notes to Financial Statements

December 31, 2011 and 2010

Note 9: Operating Leases

The Hospital has entered into various operating leases for equipment with terms ranging from one to five years. The leases require the Hospital to pay certain executory costs (property taxes, maintenance and insurance).

Future minimum lease payments at December 31, 2011, were:

2012	\$	558,613
2013		282,952
2014		124,366
2015		116,641
2016		43,025
		<hr/>
	\$	<u>1,125,597</u>

Rent expense for all operating leases was \$513,326 and \$562,095 for the years ended December 31, 2011 and 2010, respectively.

Note 10: Pension Plan

Plan Description

The Hospital contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the KPERS Board of Directors. Pension expense is recorded for the amount the Hospital is contractually required to contribute for the year. The plan provides retirement and disability benefits, including annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. The Kansas Legislature, with concurrence of the Governor, has the authority to establish and amend benefit provisions. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to KPERS at 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803, or by calling 1.888.275.5737.

**St. Luke's Hospital d/b/a Sumner Regional Medical Center
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Notes to Financial Statements

December 31, 2011 and 2010

Funding Policy

The authority to establish and amend requirements of plan members and the Hospital is set forth by the Kansas Legislature with concurrence of the Governor. Plan members are required to contribute 4% of their annual covered salary. The Hospital is required to contribute at an actuarially determined rate; the rate was 7.74%, 7.14% and 6.54% of annual covered payroll for 2011, 2010 and 2009, respectively. The Hospital's contributions to the plan for 2011, 2010 and 2009 were \$377,796, \$383,708 and \$321,503, respectively, which equaled the required contributions for each year. State law limits the Hospital's future contribution rate increases to a maximum of 0.6%.

Note 11: Significant Estimates and Concentrations

Current Economic Conditions

The current protracted economic decline continues to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Hospital.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Hospital's future operating results. Further, the effect of economic conditions on the government may have an adverse effect on cash flows related to the Medicare and Medicaid programs.

Given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in allowances for accounts receivable that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

**St. Luke's Hospital d/b/a Sumner Regional Medical Center
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Notes to Financial Statements

December 31, 2011 and 2010

Note 12: Contingencies

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Note 13: Sumner Regional Medical Center Endowment Foundation

Financial Statements

The financial statements of the Foundation are presented in accordance with the provisions of the FASB ASC. The FASB ASC requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB ASC establishes standards for external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities and a statement of cash flows. As permitted by GASB Statement No. 34, the Hospital has elected not to present a statement of cash flows for the Foundation in the basic financial statements of the Hospital's reporting entity.