

CITY OF BELLE PLAINE, KANSAS

**Financial Statements
December 31, 2012**

**with
Independent Auditors' Report**

CITY OF BELLE PLAINE, KANSAS
Financial Statements
December 31, 2012

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Belle Plaine, Kansas

We have audited the accompanying fund summary statement of cash receipts, expenditures, and unencumbered cash balances - regulatory basis of City of Belle Plaine, Kansas, as of and for the year ended December 31, 2012 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Belle Plaine to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Belle Plaine as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Belle Plaine as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

July 8, 2013

CITY OF BELLE PLAINE, KANSAS
Summary Statement of Cash Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
Governmental Funds:						
General	\$ 35,843	\$ 614,430	\$ 590,811	\$ 59,462	\$ 3,586	\$ 63,048
Special Purpose Funds:						
Special Highway	63,905	43,234	33,022	74,117	867	74,984
Employee Benefit	12,398	134,106	146,504	-		-
Library	3,118	33,284	33,284	3,118		3,118
Capital Improvements	22,724	-	-	22,724		22,724
Sales Tax	208,817	103,593	-	312,410		312,410
Capital Improvement Reserve	94,353	20,805	44,557	70,601		70,601
Equipment Reserve	18,444	-	-	18,444		18,444
EMS Reserve	19,322	-	-	19,322		19,322
Fire Insurance Proceeds	-	249,755	5,519	244,236		244,236
Capital Projects:						
Northview Heights 2nd Addition	-	13,725	12,719	1,006		1,006
Bond and Interest Fund	19	25,000	23,292	1,727		1,727
Business Funds:						
Sewer Utility	78,905	255,730	281,063	53,572	283	53,855
Refuse Utility	96,041	171,620	179,143	88,518	136	88,654
Water Utility	78,735	176,236	188,121	66,850	486	67,336
Water Reserve	14,000	-	-	14,000		14,000
NWL Equity	21,433	21,153	25,000	17,586		17,586
Agency Funds:						
Designated Contributions	928	-	-	928		928
Customer Deposits	15,190	5,061	6,198	14,053		14,053
Total	<u>\$ 784,175</u>	<u>\$ 1,867,732</u>	<u>\$ 1,569,233</u>	<u>\$ 1,082,674</u>	<u>\$ 5,358</u>	<u>\$ 1,088,032</u>

Composition of cash:

The Valley State Bank:

 Regular checking

 Payroll clearing

 Total cash

\$ 1,090,864

(2,832)

\$ 1,088,032

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

CITY OF BELLE PLAINE, KANSAS
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012

Funds	Certified Budget	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Funds:			
General	\$ 617,915	\$ 590,811	\$ (27,104)
Special Purpose Funds:			
Special Highway	47,100	33,022	(14,078)
Employee Benefit	148,500	146,504	(1,996)
Library	37,800	33,284	(4,516)
Bond and Interest	36,010	23,292	(12,718)
Business Funds:			
Sewer Utility	300,800	281,063	(19,737)
Refuse Utility	189,135	179,143	(9,992)
Water Utility	195,655	188,121	(7,534)

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

CITY OF BELLE PLAINE, KANSAS
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 General Fund
 Regulatory Basis
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance - Over (Under)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property tax	\$ 255,160	\$ 263,115	\$ (7,955)
Delinquent tax	8,974	6,500	2,474
Motor vehicle tax	31,105	40,916	(9,811)
Charges for services	16,625	13,000	3,625
Licenses and permits	3,340	3,500	(160)
Franchise tax	67,062	75,000	(7,938)
Fines and forfeitures	29,164	30,000	(836)
Interest	2,443	5,000	(2,557)
Ambulance	123,549	100,000	23,549
Restitution	2,416	-	2,416
Reimbursements	6,907	6,400	507
Other	2,685	4,000	(1,315)
Transfer from Refuse Utility Fund	30,000	30,000	-
Transfer from Water Utility Fund	35,000	35,000	-
Total Cash Receipts	<u>614,430</u>	<u>612,431</u>	<u>1,999</u>
Expenditures:			
Administration	86,671	99,486	(12,815)
Police	229,257	244,334	(15,077)
Emergency management	5,412	-	5,412
EMS	186,693	179,605	7,088
Pool	36,757	35,875	882
Parks	8,545	13,975	(5,430)
City Council, zoning, building	2,706	2,250	456
Court	20,814	22,790	(1,976)
Community building	13,956	19,600	(5,644)
Total Expenditures	<u>590,811</u>	<u>617,915</u>	<u>(27,104)</u>
Receipts Over (Under) Expenditures	23,619	(5,484)	
Unencumbered Cash, Beginning	<u>35,843</u>	<u>5,484</u>	
Unencumbered Cash, Ending	<u>\$ 59,462</u>	<u>\$ -</u>	

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

CITY OF BELLE PLAINE, KANSAS
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 Special Highway Fund
 Regulatory Basis
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Taxes and Shared Revenue:			
Special city/county highway	\$ 43,234	\$ 41,780	\$ 1,454
Expenditures:			
Personnel services	7,463	8,300	(837)
Contractual	2,053	23,800	(21,747)
Commodities	22,639	13,000	9,639
Street repair	867	2,000	(1,133)
Total Expenditures	33,022	47,100	(14,078)
Receipts Over (Under) Expenditures	10,212	(5,320)	
Unencumbered Cash, Beginning	63,905	49,567	
Unencumbered Cash, Ending	\$ 74,117	\$ 44,247	

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

CITY OF BELLE PLAINE, KANSAS
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 Employee Benefit Fund
 Regulatory Basis
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property tax	\$ 94,506	\$ 99,779	\$ (5,273)
Delinquent tax	3,012	3,500	(488)
Motor vehicle tax	12,284	16,820	(4,536)
Transfer from Water Utility Fund	24,304	20,000	4,304
Total Cash Receipts	134,106	140,099	(5,993)
Expenditures:			
KPERs, etc.	54,093	55,000	(907)
Health insurance	83,035	79,000	4,035
Insurance	9,376	14,500	(5,124)
Total Expenditures	146,504	148,500	(1,996)
Receipts Over (Under) Expenditures	(12,398)	(8,401)	
Unencumbered Cash, Beginning	12,398	11,947	
Unencumbered Cash, Ending	\$ -	\$ 3,546	

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

CITY OF BELLE PLAINE, KANSAS
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 Library Fund
 Regulatory Basis
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property tax	\$ 27,872	\$ 29,430	\$ (1,558)
Delinquent tax	1,113	-	1,113
Motor vehicle tax	4,299	5,747	(1,448)
Total Cash Receipts	33,284	35,177	(1,893)
Expenditures:			
Appropriation to Library Board	33,284	37,800	(4,516)
Total Expenditures	33,284	37,800	(4,516)
Receipts Over (Under) Expenditures	-	(2,623)	
Unencumbered Cash, Beginning	3,118	3,309	
Unencumbered Cash, Ending	\$ 3,118	\$ 686	

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

CITY OF BELLE PLAINE, KANSAS
Schedule of Cash Receipts and Expenditures - Actual
Capital Improvements Fund
Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 22,724</u>
Unencumbered Cash, Ending	<u><u>\$ 22,724</u></u>

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

CITY OF BELLE PLAINE, KANSAS
Schedule of Cash Receipts and Expenditures - Actual
Sales Tax Fund
Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
City sales tax	<u>\$ 103,593</u>
Receipts Over (Under) Expenditures	103,593
Unencumbered Cash, Beginning	<u>208,817</u>
Unencumbered Cash, Ending	<u><u>\$ 312,410</u></u>

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

CITY OF BELLE PLAINE, KANSAS
Schedule of Cash Receipts and Expenditures - Actual
Capital Improvement Reserve Fund
Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Donations	\$ 20,805
Expenditures:	
Capital outlay	<u>44,557</u>
Receipts Over (Under) Expenditures	(23,752)
Unencumbered Cash, Beginning	<u>94,353</u>
Unencumbered Cash, Ending	<u><u>\$ 70,601</u></u>

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

CITY OF BELLE PLAINE, KANSAS
Schedule of Cash Receipts and Expenditures - Actual
Equipment Reserve Fund
Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 18,444</u>
Unencumbered Cash, Ending	<u><u>\$ 18,444</u></u>

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

CITY OF BELLE PLAINE, KANSAS
Schedule of Cash Receipts and Expenditures - Actual
EMS Reserve Fund
Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 19,322</u>
Unencumbered Cash, Ending	<u><u>\$ 19,322</u></u>

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

CITY OF BELLE PLAINE, KANSAS
Schedule of Cash Receipts and Expenditures - Actual
Fire Insurance Proceeds
Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Insurance proceeds	\$ 249,755
Expenditures:	
Building repairs	<u>5,519</u>
Receipts Over (Under) Expenditures	244,236
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ 244,236</u></u>

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

CITY OF BELLE PLAINE, KANSAS
 Schedule of Cash Receipts and Expenditures - Actual
 Capital Projects Fund - Northview Heights 2nd Addition
 Regulatory Basis
 For the Year Ended December 31, 2012

	Actual
Cash Receipts:	
Special assessments	\$ 13,725
Expenditures:	
Bond principal	8,000
Bond interest	4,719
Total Expenditures	12,719
Receipts Over (Under) Expenditures	1,006
Unencumbered Cash, Beginning	-
Unencumbered Cash, Ending	\$ 1,006

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

CITY OF BELLE PLAINE, KANSAS
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 Bond and Interest Fund
 Regulatory Basis
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Special assessments	\$ -	\$ 13,570	\$ (13,570)
Transfer from NWL Equity Fund	25,000	25,000	-
Total Cash Receipts	25,000	38,570	(13,570)
Expenditures:			
Principal	15,000	24,535	(9,535)
Interest	8,292	11,475	(3,183)
Total Expenditures	23,292	36,010	(12,718)
Receipts Over (Under) Expenditures	1,708	2,560	
Unencumbered Cash, Beginning	19	19	
Unencumbered Cash, Ending	\$ 1,727	\$ 2,579	

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

CITY OF BELLE PLAINE, KANSAS
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 Sewer Utility Fund
 Regulatory Basis
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Sewer service charges and taps	\$ 255,730	\$ 270,000	\$ (14,270)
Expenditures:			
Personnel services	29,382	37,500	(8,118)
Contractual services	17,538	26,640	(9,102)
Commodities	9,179	6,225	2,954
Capital outlay	-	5,000	(5,000)
Medical insurance	15,777	15,000	777
KPERS	4,752	6,000	(1,248)
KDHE loan principal	151,691	151,691	-
KDHE loan interest and commission	48,911	48,911	-
Commission charges	3,833	3,833	-
Total Expenditures	281,063	300,800	(19,737)
Receipts Over (Under) Expenditures	(25,333)	(30,800)	
Unencumbered Cash, Beginning	78,905	64,222	
Unencumbered Cash, Ending	\$ 53,572	\$ 33,422	

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

CITY OF BELLE PLAINE, KANSAS
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 Refuse Utility Fund
 Regulatory Basis
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Over (Under)</u>
Cash Receipts:			
Refuse service charges	\$ 171,620	\$ 167,000	\$ 4,620
Expenditures:			
Personnel services	54,197	57,680	(3,483)
Contractual services	44,408	56,080	(11,672)
Commodities	17,248	19,400	(2,152)
Medical insurance	18,288	17,000	1,288
KPERs	8,215	8,900	(685)
Sales tax	-	75	(75)
Capital outlay	6,787	-	6,787
Transfer to General Fund	30,000	30,000	-
Total Expenditures	<u>179,143</u>	<u>189,135</u>	<u>(9,992)</u>
Receipts Over (Under) Expenditures	(7,523)	(22,135)	
Unencumbered Cash, Beginning	<u>96,041</u>	<u>90,093</u>	
Unencumbered Cash, Ending	<u>\$ 88,518</u>	<u>\$ 67,958</u>	

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

CITY OF BELLE PLAINE, KANSAS
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 Water Utility Fund
 Regulatory Basis
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Water service charges and other	\$ 176,236	\$ 210,000	\$ (33,764)
Expenditures:			
Personnel services	51,249	56,650	(5,401)
Contractual services	12,286	32,005	(19,719)
Commodities	32,795	24,300	8,495
Capital outlay	4,949	-	4,949
Medical insurance	18,471	18,000	471
KPERs	8,275	8,900	(625)
Sales tax	792	800	(8)
Transfer to Employee Benefit Fund	24,304	20,000	4,304
Transfer to General Fund	35,000	35,000	-
Total Expenditures	188,121	195,655	(7,534)
Receipts Over (Under) Expenditures	(11,885)	14,345	
Unencumbered Cash, Beginning	78,735	54,985	
Unencumbered Cash, Ending	\$ 66,850	\$ 69,330	

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

CITY OF BELLE PLAINE, KANSAS
Schedule of Cash Receipts and Expenditures - Actual
Water Reserve Fund
Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 14,000</u>
Unencumbered Cash, Ending	<u><u>\$ 14,000</u></u>

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

CITY OF BELLE PLAINE, KANSAS
Schedule of Cash Receipts and Expenditures - Actual
NWL Equity Fund
Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Charges	\$ 21,153
Expenditures:	
Transfer to Bond and Interest Fund	<u>25,000</u>
Receipts Over (Under) Expenditures	(3,847)
Unencumbered Cash, Beginning	<u>21,433</u>
Unencumbered Cash, Ending	<u><u>\$ 17,586</u></u>

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

CITY OF BELLE PLAINE, KANSAS
Agency Funds
Summary of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2012

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Designated Contributions	\$ 928	\$ -	\$ -	\$ 928
Customer Deposits	15,190	5,061	6,198	14,053
Total Agency Funds	<u>\$ 16,118</u>	<u>\$ 5,061</u>	<u>\$ 6,198</u>	<u>\$ 14,981</u>

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

CITY OF BELLE PLAINE, KANSAS
Notes to Financial Statements
December 31, 2012

1. Summary of Significant Accounting Policies

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

Reporting Entity

The City of Belle Plaine is a municipal corporation governed by an elected mayor and council. The financial statement presents the City of Belle Plaine (the primary government) but do not include its component unit, The Library Board. The component unit is not included in the City's report because of the insignificance of its financial relationship with the City.

Basis of Presentation

The financial activities of the City are recorded and presented on the basis of funds. The following types of funds comprise the financial activities of the City of Belle Plaine, Kansas for the year 2012:

General Fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.).

Agency Funds – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

CITY OF BELLE PLAINE, KANSAS
Notes to Financial Statements
December 31, 2012

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

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

2. Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

CITY OF BELLE PLAINE, KANSAS

Notes to Financial Statements

December 31, 2012

2. Budgetary Information (continued)

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

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

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds:

- Capital Improvements
- Sales Tax
- Capital Improvements Reserve
- Equipment Reserve
- EMS Reserve
- Fire Insurance Proceeds
- Water Reserve
- NWL Equity Fund
- Designated Contributions
- Customer Deposits

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

3. Deposits

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.

CITY OF BELLE PLAINE, KANSAS
Notes to Financial Statements
December 31, 2012

3. Deposits (continued)

At year-end, the carrying amount of the City's deposits were \$1,090,864. The bank statement balances were \$1,111,682. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining \$840,864 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the City, the pledging bank, and the independent third-party bank holding the pledged securities.

4. Interfund Transfers

Operating transfers were as follows:

From	To	Amount
Refuse Utility Fund	General Fund	\$ 30,000
NWL Equity Fund	Bond and Interest Fund	25,000
Water Utility Fund	General Fund	35,000
Water Utility Fund	Employee Benefits Fund	24,304

5. Defined Benefit Pension Plan

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS). It is part of a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-419 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

CITY OF BELLE PLAINE, KANSAS
Notes to Financial Statements
December 31, 2012

6. Compensated Absences

The City's policy regarding vacation and sick leave was revised to a paid time off policy in June 2009. The current policy requires all converted vacation and sick leave to paid time off be used prior to December 1, 2010. The employees will then only be able to carry over one week or request a buyout of that week and lose the rest of the accumulated paid time off. They will earn paid time off each year based on years of service to the city. The estimated liability at December 31, 2012 if all employees with accumulated paid time off were to terminate employment would be \$742.

7. Risk Management

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

8. Special Assessments

Projects, financed in part by special assessments, are financed through general obligation bonds of the City and are retired from the Debt Service Fund. Special assessments paid prior to the issuance of the bonds are recorded as revenue in the appropriate project account. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service Fund.

9. Subsequent Events

Subsequent events have been evaluated through July 8, 2013, which is the date the financial statements were available to be issued. Events requiring disclosure were identified and disclosed.

10. Compliance with Kansas Statutes

Management is not aware of any statutory violations for the period.

CITY OF BELLE PLAINE, KANSAS
 Note - Long-Term Debt
 For the Year Ended December 31, 2012

11. Long Term Debt Schedule

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds:										
Series 2005 - Refunding	3.81%	3/1/2005	\$ 225,000	12/1/2016	\$ 85,000	\$ -	\$ 15,000	\$ -	\$ 70,000	\$ 3,475
Series 2009	1.75% - 5.5%	2/20/2009	230,000	3/1/2029	216,000	-	8,000	-	208,000	9,535
Total General Obligation Bonds					<u>301,000</u>	<u>-</u>	<u>23,000</u>	<u>-</u>	<u>278,000</u>	<u>13,010</u>
Revolving Loan Program:										
KDHE Construction Loan	3.44%	1999-2002	3,111,220	3/1/2021	1,570,852	-	151,691	-	1,419,161	48,911
Capital Leases:										
Police Station	5.00%	4/1/2005	100,000	4/1/2015	45,922	-	10,650	-	35,272	2,301
2007 Dodge Police Car	6.25%	8/27/2007	23,628	8/27/2012	5,315	-	5,315	-	-	337
2009 Dodge Police Car	4.00%	3/6/2009	24,866	12/12/2013	10,442	-	5,119	-	5,323	418
Office Copier	0.00%	4/1/2009	7,581	3/31/2014	3,412	-	1,516	-	1,896	-
EMS Copier	0.00%	2/9/2012	837	1/9/2015	-	837	256	-	581	-
Police Copier	0.00%	2/9/2012	837	1/9/2015	-	837	256	-	581	-
Trash Truck	3.50%	4/13/2012	128,250	7/13/2018	-	128,250	3,755	-	124,495	2,244
Total Capital Leases					<u>65,091</u>	<u>129,924</u>	<u>26,867</u>	<u>-</u>	<u>168,148</u>	<u>5,300</u>
Total Contractual Indebtedness					<u>\$ 1,936,943</u>	<u>\$ 129,924</u>	<u>\$ 201,558</u>	<u>\$ -</u>	<u>\$ 1,865,309</u>	<u>\$ 67,221</u>

Schedule of Maturities of Contractual Indebtedness

	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	Total
Principal									
General obligation bonds	\$ 28,000	\$ 23,000	\$ 24,000	\$ 29,000	\$ 10,000	\$ 57,000	\$ 72,000	\$ 35,000	\$ 278,000
Revolving loan program	156,954	162,399	168,034	173,864	179,896	578,013	-	-	1,419,160
Capital leases	38,490	33,289	33,716	22,091	22,876	17,687	-	-	168,149
Total Principal	<u>\$ 223,444</u>	<u>\$ 218,688</u>	<u>\$ 225,750</u>	<u>\$ 224,955</u>	<u>\$ 212,772</u>	<u>\$ 652,700</u>	<u>\$ 72,000</u>	<u>\$ 35,000</u>	<u>\$ 1,865,309</u>
Interest									
General obligation bonds	\$ 12,237	\$ 11,215	\$ 10,343	\$ 9,418	\$ 8,223	\$ 34,575	\$ 19,254	\$ 1,944	\$ 107,209
Revolving loan program	47,481	42,035	36,401	30,132	52,744	60,267	-	-	269,060
Capital leases	6,068	4,596	3,278	1,906	1,121	310	-	-	17,279
Total Interest	<u>\$ 65,786</u>	<u>\$ 57,846</u>	<u>\$ 50,022</u>	<u>\$ 41,456</u>	<u>\$ 62,088</u>	<u>\$ 95,152</u>	<u>\$ 19,254</u>	<u>\$ 1,944</u>	<u>\$ 393,548</u>