

**CITY OF CLAY CENTER, KANSAS**

**FINANCIAL STATEMENTS**

**Year ended December 31, 2010**

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**CITY OF CLAY CENTER, KANSAS**

Financial Statements  
Year ended December 31, 2010

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**CITY OF CLAY CENTER, KANSAS**

Financial Statements  
Year ended December 31, 2010

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## **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Mayor and City Council  
City of Clay Center, Kansas

We have audited the accompanying financial statements of the City of Clay Center, Kansas (the City), as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2009. In our report dated July 20, 2010, on these financial statements, we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unqualified opinion as to presentation on the Kansas prescribed basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The primary government financial statements referred to above do not include the financial data of component units of the City of Clay Center, Kansas as of December 31, 2010.

As described in Note 1, the City of Clay Center, Kansas prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the omission of the financial data of all of the component units of the City of Clay Center, Kansas, and, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Clay Center, Kansas, as of December 31, 2010, or the respective changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Clay Center, Kansas, as of December 31, 2010, and its cash receipts and expenditures by fund, and fund budget to actual comparisons, for the year then ended, taken as a whole, on the prescribed basis of accounting described in Note 1.

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2009, from which such partial information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, on our consideration of the City of Clay Center's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the City taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose 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 not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lowenthal, Wett & Odermann, P.A.*

June 30, 2011

**CITY OF CLAY CENTER, KANSAS**  
 Summary of Cash Receipts, Expenditures and Unencumbered Cash  
 For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Period Adjustment	Beginning Unencumbered Cash Balance (Restated)	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add:		Ending Cash Balance
							Encumbrances and Accounts Payable		
General Fund	\$ 301,016	\$ -	\$ 301,016	\$ 2,541,470	\$ 2,466,851	\$ 375,635	\$ 56,485		\$ 432,120
Special Revenue Funds:									
Airport	3,883	-	3,883	32,153	23,091	12,945	81		13,026
Connecting Link Improvement	71,196	-	71,196	29,268	59,511	40,953	-		40,953
Employee Benefit	61,349	-	61,349	843,070	798,954	105,465	760		106,225
Industrial	4,022	-	4,022	26,585	18,750	11,857	-		11,857
Library	623	-	623	168,761	169,000	384	-		384
Public Recreation	2,508	-	2,508	25,787	25,769	2,526	1,055		3,581
Special Highway	2,787	-	2,787	118,263	109,807	11,243	-		11,243
Special Improvement	39,791	-	39,791	-	-	39,791	-		39,791
Special Park and Recreation	29,651	-	29,651	14,840	25,285	19,206	-		19,206
2010 Special Projects	-	-	-	1,351,463	673,837	677,626	-		677,626
Street, Building, Machinery & Equipment	415,492	-	415,492	93,426	58,225	450,693	-		450,693
Permanent Fund:									
Cemetery Perpetual Care	156,050	-	156,050	1,820	-	157,870	-		157,870
Debt Service Fund	10,577	-	10,577	81,880	89,323	3,134	-		3,134
Capital Project Funds:									
Pool Project	23,119	-	23,119	3,000	-	26,119	-		26,119
Enterprise Funds:									
Waste Water	63,110	-	63,110	371,977	355,658	79,429	32,771		112,200
Water Utility	1,370,811	-	1,370,811	4,760,775	5,054,527	1,077,059	11,666		1,088,725
Electric Utility	2,630,012	-	2,630,012	6,360,039	6,440,664	2,549,387	280,822		2,830,209
Fiduciary Type Funds:									
Private Purpose Trust Funds:									
Refuse Disposal Maintenance	9,217	-	9,217	15,880	-	25,097	-		25,097
Animal Shelter	1,291	-	1,291	50	-	1,341	-		1,341
Community Development Block Grant	54,363	-	54,363	90	54,453	-	-		-
Campbell Field Lights	1,082	-	1,082	100	-	1,182	-		1,182
Undercover	1,498	-	1,498	-	200	1,298	-		1,298
Underage Drinking Reward	1,743	-	1,743	-	-	1,743	-		1,743
<b>Total Primary Government</b>	<b>\$ 5,255,191</b>	<b>\$ -</b>	<b>\$ 5,255,191</b>	<b>\$ 16,840,697</b>	<b>\$ 16,423,905</b>	<b>\$ 5,671,983</b>	<b>\$ 383,640</b>		<b>\$ 6,055,623</b>

## Composition of Cash:

Union State Bank	
Checking	\$ 760,218
Money Market	1,822,588
Certificates of Deposit	375,000
United Bank & Trust	
Checking	1,124,343
Money Market	1,657,130
Certificates of Deposit	482,000
State of Kansas - Fiscal Agent	<u>31,411</u>
<b>Total Cash</b>	<b><u>6,252,690</u></b>
Agency Funds per Statement 4	<u>[197,067]</u>
<b>Total</b>	<b><u>\$ 6,055,623</u></b>

## STATEMENT 2

**CITY OF CLAY CENTER, KANSAS**  
 Summary of Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010

<u>Funds</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 Positive [Negative]</u>
General Fund	\$ 2,726,000	\$ -	\$ 2,726,000	\$ 2,466,851	\$ 259,149
Special Revenue Funds:					
Airport	32,280	-	32,280	23,091	9,189
Connecting Link Improvement	98,418	-	98,418	59,511	38,907
Employee Benefit	833,000	-	833,000	798,954	34,046
Industrial	29,000	-	29,000	18,750	10,250
Library	174,000	-	174,000	169,000	5,000
Public Recreation	27,000	-	27,000	25,769	1,231
Special Highway	115,892	-	115,892	109,807	6,085
Special Improvement	40,865	-	40,865	-	40,865
Special Park and Recreation	39,346	-	39,346	25,285	14,061
Debt Service Fund	91,341	-	91,341	89,323	2,018
Enterprise Funds:					
Waste Water	432,497	-	432,497	355,658	76,839
Water Utility	5,109,500	-	5,109,500	5,054,527	54,973
Electric Utility	9,742,000	-	9,742,000	6,440,664	3,301,336

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

**CITY OF CLAY CENTER, KANSAS**  
 General Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
<b>Cash Receipts</b>				
Taxes and shared revenue				
Ad valorem property tax	\$ 874,647	\$ 873,230	\$ 973,745	\$ [100,515]
Alcohol tax	8,807	7,636	8,553	[917]
Delinquent and foreclosures	13,608	15,794	6,000	9,794
Franchise tax	125,901	123,089	135,000	[11,911]
Motor vehicle tax	131,086	163,701	137,211	26,490
Recreational vehicle tax	2,006	2,478	3,074	[596]
Sales tax	887,816	901,195	1,000,000	[98,805]
Licenses and permits	28,626	34,745	32,000	2,745
Fines and fees	60,415	63,137	55,000	8,137
Charges for services	192,080	216,454	180,000	36,454
Payment in lieu of taxes	58,350	114,458	142,000	[27,542]
FEMA income	-	500	-	500
Miscellaneous	7,386	7,691	24,000	[16,309]
Use of money and property	15,857	17,362	35,000	[17,638]
<b>Total Cash Receipts</b>	<u>2,406,585</u>	<u>2,541,470</u>	<u>\$ 2,731,583</u>	<u>\$ [190,113]</u>
<b>Expenditures and Transfers Subject to Budget</b>				
General government	829,863	811,774	\$ 970,000	\$ 158,226
Police department	389,477	414,787	445,000	30,213
Fire department	341,787	346,663	360,000	13,337
Highway department	314,125	363,756	385,000	21,244
Refuse disposal	137,824	140,521	175,000	34,479
Parks department	120,316	109,084	145,000	35,916
Pool department	71,182	76,847	81,000	4,153
Cemetery department	104,065	100,461	110,000	9,539
Appropriations	-	-	10,000	10,000
Miscellaneous	-	-	40,000	40,000
Transfers out	171,574	102,958	5,000	[97,958]
<b>Total Expenditures and Transfers Subject to Budget</b>	<u>2,480,213</u>	<u>2,466,851</u>	<u>\$ 2,726,000</u>	<u>\$ 259,149</u>
Receipts Over [Under] Expenditures	<u>[73,628]</u>	<u>74,619</u>		
Unencumbered Cash, Beginning	309,111	301,016		
Prior period adjustment	<u>65,533</u>	<u>-</u>		
Unencumbered Cash, Beginning (restated)	<u>374,644</u>	<u>301,016</u>		
Unencumbered Cash, Ending	<u>\$ 301,016</u>	<u>\$ 375,635</u>		

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

**CITY OF CLAY CENTER, KANSAS**

## Airport Fund

## Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2010

(With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Use of money and property	\$ 10,120	\$ 10,120	\$ 10,120	\$ -
Insurance proceeds	-	17,033	-	17,033
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Cash Receipts	<u>15,120</u>	<u>32,153</u>	<u>\$ 15,120</u>	<u>\$ 17,033</u>
Expenditures and Transfers Subject to Budget				
Contractual services	7,765	9,519	\$ 7,000	\$ [2,519]
Commodities	4,544	13,572	8,247	[5,325]
Qualifying budget credit	<u>-</u>	<u>-</u>	<u>17,033</u>	<u>17,033</u>
Total Expenditures and Transfers Subject to Budget	<u>12,309</u>	<u>23,091</u>	<u>\$ 32,280</u>	<u>\$ 9,189</u>
Receipts Over [Under] Expenditures	2,811	9,062		
Unencumbered Cash, Beginning	<u>1,072</u>	<u>3,883</u>		
Unencumbered Cash, Ending	<u>\$ 3,883</u>	<u>\$ 12,945</u>		

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

**CITY OF CLAY CENTER, KANSAS**  
Connecting Link Improvement Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Connecting link distribution	\$ 29,248	\$ 29,268	\$ 29,000	\$ 268
Miscellaneous	<u>5,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Receipts	<u>35,178</u>	<u>29,268</u>	<u>\$ 29,000</u>	<u>\$ 268</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>4,400</u>	<u>59,511</u>	<u>\$ 98,418</u>	<u>\$ 38,907</u>
Total Expenditures and Transfers Subject to Budget	<u>4,400</u>	<u>59,511</u>	<u>\$ 98,418</u>	<u>\$ 38,907</u>
Receipts Over [Under] Expenditures	30,778	[30,243]		
Unencumbered Cash, Beginning	<u>40,418</u>	<u>71,196</u>		
Unencumbered Cash, Ending	<u>\$ 71,196</u>	<u>\$ 40,953</u>		

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

**CITY OF CLAY CENTER, KANSAS**  
Employee Benefit Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 271,216	\$ 271,303	\$ 287,724	\$ [16,421]
Employee contributions	<u>547,027</u>	<u>571,767</u>	<u>530,000</u>	<u>41,767</u>
Total Cash Receipts	<u>818,243</u>	<u>843,070</u>	<u>\$ 817,724</u>	<u>\$ 25,346</u>
Expenditures and Transfers Subject to Budget				
Personal services	768,863	798,954	\$ 833,000	\$ 34,046
Appropriations	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>773,863</u>	<u>798,954</u>	<u>\$ 833,000</u>	<u>\$ 34,046</u>
Receipts Over [Under] Expenditures	44,380	44,116		
Unencumbered Cash, Beginning	<u>16,969</u>	<u>61,349</u>		
Unencumbered Cash, Ending	<u>\$ 61,349</u>	<u>\$ 105,465</u>		

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

**CITY OF CLAY CENTER, KANSAS**  
 Industrial Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 25,660	\$ 26,585	\$ 28,405	\$ [1,820]
Total Cash Receipts	<u>25,660</u>	<u>26,585</u>	<u>\$ 28,405</u>	<u>\$ [1,820]</u>
Expenditures and Transfers Subject to Budget				
Appropriations	25,000	18,750	\$ 25,000	\$ 6,250
Commodities	-	-	1,500	1,500
Contractual services	-	-	1,500	1,500
Neighborhood revitalization program allowance	-	-	1,000	1,000
Total Expenditures and Transfers Subject to Budget	<u>25,000</u>	<u>18,750</u>	<u>\$ 29,000</u>	<u>\$ 10,250</u>
Receipts Over [Under] Expenditures	660	7,835		
Unencumbered Cash, Beginning	<u>3,362</u>	<u>4,022</u>		
Unencumbered Cash, Ending	<u>\$ 4,022</u>	<u>\$ 11,857</u>		

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

**CITY OF CLAY CENTER, KANSAS**  
 Library Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 112,505	\$ 168,761	\$ 179,204	\$ [10,443]
Total Cash Receipts	<u>112,505</u>	<u>168,761</u>	<u>\$ 179,204</u>	<u>\$ [10,443]</u>
Expenditures and Transfers Subject to Budget				
Appropriations	112,000	169,000	\$ 169,000	\$ -
Neighborhood revitalization program allowance	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Total Expenditures and Transfers Subject to Budget	<u>112,000</u>	<u>169,000</u>	<u>\$ 174,000</u>	<u>\$ 5,000</u>
Receipts Over [Under] Expenditures	505	[239]		
Unencumbered Cash, Beginning	<u>118</u>	<u>623</u>		
Unencumbered Cash, Ending	<u>\$ 623</u>	<u>\$ 384</u>		

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

**CITY OF CLAY CENTER, KANSAS**  
Public Recreation Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 26,292	\$ 25,787	\$ 27,474	\$ [1,687]
Total Cash Receipts	<u>26,292</u>	<u>25,787</u>	<u>\$ 27,474</u>	<u>\$ [1,687]</u>
Expenditures and Transfers Subject to Budget				
Appropriations	1,800	2,250	\$ 26,000	\$ 23,750
Commodities	12,075	12,622	-	[12,622]
Personal services	9,545	10,897	-	[10,897]
Neighborhood revitalization program allowance	-	-	1,000	1,000
Total Expenditures and Transfers Subject to Budget	<u>23,420</u>	<u>25,769</u>	<u>\$ 27,000</u>	<u>\$ 1,231</u>
Receipts Over [Under] Expenditures	2,872	18		
Unencumbered Cash, Beginning	<u>[364]</u>	<u>2,508</u>		
Unencumbered Cash, Ending	<u>\$ 2,508</u>	<u>\$ 2,526</u>		

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

**CITY OF CLAY CENTER, KANSAS**  
Special Highway Fund  
Statement of Cash Receipts and Expenditures - Actual  
For the Year Ended December 31, 2010  
(With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 111,141	\$ 118,263	\$ 115,000	\$ 3,263
Total Cash Receipts	<u>111,141</u>	<u>118,263</u>	<u>\$ 115,000</u>	<u>\$ 3,263</u>
Expenditures and Transfers Subject to Budget				
Commodities	71,898	109,807	\$ 115,892	\$ 6,085
Debt service	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>121,898</u>	<u>109,807</u>	<u>\$ 115,892</u>	<u>\$ 6,085</u>
Receipts Over [Under] Expenditures	[10,757]	8,456		
Unencumbered Cash, Beginning	<u>13,544</u>	<u>2,787</u>		
Unencumbered Cash, Ending	<u>\$ 2,787</u>	<u>\$ 11,243</u>		

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

**CITY OF CLAY CENTER, KANSAS**  
Special Improvement Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Reimbursements	\$ 36,352	\$ -	\$ 15,000	\$ [15,000]
Transfers	<u>5,574</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Receipts	<u>41,926</u>	<u>-</u>	<u>\$ 15,000</u>	<u>\$ [15,000]</u>
Expenditures and Transfers Subject to Budget				
Contractual services	<u>-</u>	<u>-</u>	<u>\$ 40,865</u>	<u>\$ 40,865</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>-</u>	<u>\$ 40,865</u>	<u>\$ 40,865</u>
Receipts Over [Under] Expenditures	41,926	-		
Unencumbered Cash, Beginning	<u>[2,135]</u>	<u>39,791</u>		
Unencumbered Cash, Ending	<u>\$ 39,791</u>	<u>\$ 39,791</u>		

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

**CITY OF CLAY CENTER, KANSAS**  
Special Parks and Recreation Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 8,807	\$ 7,636	\$ 8,553	\$ [917]
Miscellaneous receipts	<u>-</u>	<u>7,204</u>	<u>-</u>	<u>7,204</u>
Total Cash Receipts	<u>8,807</u>	<u>14,840</u>	<u>\$ 8,553</u>	<u>\$ 6,287</u>
Expenditures and Transfers Subject to Budget				
Appropriations	1,500	10,000	\$ 2,000	\$ [8,000]
Capital outlay	<u>5,689</u>	<u>15,285</u>	<u>37,346</u>	<u>22,061</u>
Total Expenditures and Transfers Subject to Budget	<u>7,189</u>	<u>25,285</u>	<u>\$ 39,346</u>	<u>\$ 14,061</u>
Receipts Over [Under] Expenditures	1,618	[10,445]		
Unencumbered Cash, Beginning	<u>28,033</u>	<u>29,651</u>		
Unencumbered Cash, Ending	<u>\$ 29,651</u>	<u>\$ 19,206</u>		

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

**CITY OF CLAY CENTER, KANSAS**  
 2010 Special Improvement Fund\*  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2010

Cash Receipts	
Proceeds from bond issuance	\$ 1,014,275
County grant	313,230
Transfer in	<u>23,958</u>
Total Cash Receipts	<u>1,351,463</u>
Expenditures and Transfers Subject to Budget	
Contractual services	<u>673,837</u>
Total Expenditures and Transfers Subject to Budget	<u>673,837</u>
Receipts Over [Under] Expenditures	677,626
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 677,626</u>

\* - This fund is not required to be budgeted.

**CITY OF CLAY CENTER, KANSAS**  
 Street, Building, Machinery and Equipment Fund\*  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Receipts		
Fines and fees	\$ 10,426	\$ 3,292
Transfers in	<u>83,000</u>	<u>155,000</u>
Total Cash Receipts	<u>93,426</u>	<u>158,292</u>
Expenditures and Transfers		
Equipment	35,977	42,600
Equipment maintenance & repair	-	3,532
Commodities	<u>22,248</u>	<u>2,955</u>
Total Expenditures and Transfers	<u>58,225</u>	<u>49,087</u>
Receipts Over [Under] Expenditures	35,201	109,205
Unencumbered Cash, Beginning	<u>415,492</u>	<u>306,287</u>
Unencumbered Cash, Ending	<u>\$ 450,693</u>	<u>\$ 415,492</u>

\* - This fund is not required to be budgeted.

**CITY OF CLAY CENTER, KANSAS**  
 Cemetery Perpetual Care Fund\*  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Receipts		
Perpetual care payments	\$ 1,820	\$ 4,305
Total Cash Receipts	<u>1,820</u>	<u>4,305</u>
Expenditures and Transfers		
Contractual	<u>-</u>	<u>-</u>
Total Expenditures and Transfers	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	1,820	4,305
Unencumbered Cash, Beginning	<u>156,050</u>	<u>151,745</u>
Unencumbered Cash, Ending	<u>\$ 157,870</u>	<u>\$ 156,050</u>

\* - This fund is not required to be budgeted.

**CITY OF CLAY CENTER, KANSAS**  
 Debt Service Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 99,796	\$ 81,880	\$ 63,860	\$ 18,020
Special assessments	-	-	17,500	[17,500]
Total Cash Receipts	<u>99,796</u>	<u>81,880</u>	<u>\$ 81,360</u>	<u>\$ 520</u>
Expenditures and Transfers Subject to Budget				
Bond principal	72,000	67,000	\$ 57,000	\$ [10,000]
Interest	27,691	22,320	22,321	1
Commissions	11	3	20	17
Miscellaneous	-	-	8,000	8,000
Neighborhood revitalization program allowance	-	-	4,000	4,000
Total Expenditures and Transfers Subject to Budget	<u>99,702</u>	<u>89,323</u>	<u>\$ 91,341</u>	<u>\$ 2,018</u>
Receipts Over [Under] Expenditures	94	[7,443]		
Unencumbered Cash, Beginning	<u>10,483</u>	<u>10,577</u>		
Unencumbered Cash, Ending	<u>\$ 10,577</u>	<u>\$ 3,134</u>		

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

**CITY OF CLAY CENTER, KANSAS**  
 Pool Project Fund\*  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Receipts		
Transfers in	\$ 3,000	\$ 5,000
Total Cash Receipts	<u>3,000</u>	<u>5,000</u>
Expenditures and Transfers		
Capital outlay	<u>-</u>	<u>-</u>
Total Expenditures and Transfers	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	3,000	5,000
Unencumbered Cash, Beginning	<u>23,119</u>	<u>18,119</u>
Unencumbered Cash, Ending	<u>\$ 26,119</u>	<u>\$ 23,119</u>

\* - This fund is not required to be budgeted.

**CITY OF CLAY CENTER, KANSAS**  
Waste Water Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 315,236	\$ 371,931	\$ 312,000	\$ 59,931
Loan proceeds	-	-	62,400	[62,400]
Use of money and property	485	46	-	46
Transfers in	-	-	4,000	[4,000]
Total Cash Receipts	<u>315,721</u>	<u>371,977</u>	<u>\$ 378,400</u>	<u>\$ [6,423]</u>
Expenditures and Transfers Subject to Budget				
Personal services	139,529	139,655	\$ 195,000	\$ 55,345
Commodities	58,298	73,025	65,000	[8,025]
Contractual services	54,224	47,294	65,000	17,706
Capital outlay	62,574	18,296	25,923	7,627
Debt service	65,481	65,388	65,574	186
Transfer out	-	12,000	16,000	4,000
Total Expenditures and Transfers Subject to Budget	<u>380,106</u>	<u>355,658</u>	<u>\$ 432,497</u>	<u>\$ 76,839</u>
Receipts Over [Under] Expenditures	<u>[64,385]</u>	<u>16,319</u>		
Unencumbered Cash, Beginning	122,271	63,110		
Prior period adjustment	<u>5,224</u>	-		
Unencumbered Cash, Beginning (restated)	<u>127,495</u>	<u>63,110</u>		
Unencumbered Cash, Ending	<u>\$ 63,110</u>	<u>\$ 79,429</u>		

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

**CITY OF CLAY CENTER, KANSAS**  
Water Utility Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 1,664,602	\$ 1,799,278	\$ 2,389,500	\$ [590,222]
Loan proceeds	5,664,782	2,905,760	2,000,000	905,760
Use of money and property	6,685	7,503	10,000	[2,497]
Miscellaneous	<u>20,068</u>	<u>48,234</u>	<u>50,000</u>	<u>[1,766]</u>
Total Cash Receipts	<u>7,356,137</u>	<u>4,760,775</u>	<u>\$ 4,449,500</u>	<u>\$ 311,275</u>
Expenditures and Transfers Subject to Budget				
Personal services	372,105	430,040	\$ 585,042	\$ 155,002
Contractual	21,480	27,797	30,214	2,417
Capital outlay	6,145,322	3,042,451	2,750,000	[292,451]
Commodities	289,529	357,957	589,244	231,287
Debt service	276,228	603,737	550,000	[53,737]
Transfer out	<u>508,420</u>	<u>592,545</u>	<u>605,000</u>	<u>12,455</u>
Total Expenditures and Transfers Subject to Budget	<u>7,613,084</u>	<u>5,054,527</u>	<u>\$ 5,109,500</u>	<u>\$ 54,973</u>
Receipts Over [Under] Expenditures	<u>[256,947]</u>	<u>[293,752]</u>		
Unencumbered Cash, Beginning	1,604,634	1,370,811		
Restatement	<u>23,124</u>	<u>-</u>		
Unencumbered Cash, Beginning (restated)	<u>1,627,758</u>	<u>1,370,811</u>		
Unencumbered Cash, Ending	<u>\$ 1,370,811</u>	<u>\$ 1,077,059</u>		

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

**CITY OF CLAY CENTER, KANSAS**  
 Electric Utility Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
<b>Cash Receipts</b>				
Charges for services	\$ 4,941,758	\$ 5,352,161	\$ 8,624,000	\$ [3,271,839]
Taxes	138,316	135,215	180,000	[44,785]
Reimbursements	1,165,850	768,969	750,000	18,969
Use of money and property	13,041	25,142	11,000	14,142
Miscellaneous	<u>232,026</u>	<u>78,552</u>	<u>200,000</u>	<u>[121,448]</u>
<b>Total Cash Receipts</b>	<u>6,490,991</u>	<u>6,360,039</u>	<u>\$ 9,765,000</u>	<u>\$ [3,404,961]</u>
<b>Expenditures and Transfers Subject to Budget</b>				
Personal services	1,512,771	1,525,303	\$ 2,296,087	\$ 770,784
Contractual	70,505	99,984	113,877	13,893
Capital outlay	280,394	487,920	1,500,000	1,012,080
Commodities	3,166,347	3,180,689	5,165,036	1,984,347
Debt service	368,178	562,226	375,000	[187,226]
Sales tax	125,171	133,192	180,000	46,808
Investments in Kansas Power Pool	[10,168]	[135,824]	-	135,824
Investments in SWAPA	6,408	-	-	-
Mainstreet / EDG payments	6,054	6,016	12,000	5,984
FEMA reconstruction	702,172	487,759	-	[487,759]
Transfer out	<u>45,180</u>	<u>93,399</u>	<u>100,000</u>	<u>6,601</u>
<b>Total Expenditures and Transfers Subject to Budget</b>	<u>6,273,012</u>	<u>6,440,664</u>	<u>\$ 9,742,000</u>	<u>\$ 3,301,336</u>
Receipts Over [Under] Expenditures	<u>217,979</u>	<u>[80,625]</u>		
Unencumbered Cash, Beginning	2,234,774	2,630,012		
Restatement	<u>177,259</u>	<u>-</u>		
Unencumbered Cash, Beginning (Restated)	<u>2,412,033</u>	<u>2,630,012</u>		
Unencumbered Cash, Ending	<u>\$ 2,630,012</u>	<u>\$ 2,549,387</u>		

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

**CITY OF CLAY CENTER, KANSAS**  
 Refuse Disposal Maintenance Fund\*  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Receipts		
Charges for services	\$ 15,880	\$ 15,562
Total Cash Receipts	<u>15,880</u>	<u>15,562</u>
Expenditures and Transfers		
Commodities	-	5,713
Capital outlay	-	67,393
Total Expenditures and Transfers	<u>-</u>	<u>73,106</u>
Receipts Over [Under] Expenditures	15,880	[57,544]
Unencumbered Cash, Beginning	<u>9,217</u>	<u>66,761</u>
Unencumbered Cash, Ending	<u>\$ 25,097</u>	<u>\$ 9,217</u>

\* - This fund is not required to be budgeted.

**CITY OF CLAY CENTER, KANSAS**  
 Animal Shelter Fund\*  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Receipts		
Donations	\$ 50	\$ 804
Total Cash Receipts	<u>50</u>	<u>804</u>
Expenditures and Transfers		
Animal feed and care	<u>-</u>	<u>-</u>
Total Expenditures and Transfers	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	50	804
Unencumbered Cash, Beginning	<u>1,291</u>	<u>487</u>
Unencumbered Cash, Ending	<u>\$ 1,341</u>	<u>\$ 1,291</u>

\* - This fund is not required to be budgeted.

**CITY OF CLAY CENTER, KANSAS**  
 Community Development Block Grant Fund\*  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Receipts		
Use of money	\$ 90	\$ 434
Total Cash Receipts	<u>90</u>	<u>434</u>
Expenditures and Transfers		
Miscellaneous	<u>54,453</u>	<u>-</u>
Total Expenditures and Transfers	<u>54,453</u>	<u>-</u>
Receipts Over [Under] Expenditures	[54,363]	434
Unencumbered Cash, Beginning	<u>54,363</u>	<u>53,929</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 54,363</u>

\* - This fund is not required to be budgeted.

**CITY OF CLAY CENTER, KANSAS**  
 Campbell Field Lights Fund\*  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Receipts		
Donations	\$ 100	\$ 1,100
Total Cash Receipts	<u>100</u>	<u>1,100</u>
Expenditures and Transfers		
Capital outlay	<u>-</u>	<u>2,931</u>
Total Expenditures and Transfers	<u>-</u>	<u>2,931</u>
Receipts Over [Under] Expenditures	100	[1,831]
Unencumbered Cash, Beginning	<u>1,082</u>	<u>2,913</u>
Unencumbered Cash, Ending	<u>\$ 1,182</u>	<u>\$ 1,082</u>

\* - This fund is not required to be budgeted.

**CITY OF CLAY CENTER, KANSAS**  
 Undercover Fund\*  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Receipts		
Donations	\$ _____ -	\$ _____ -
Total Cash Receipts	_____ -	_____ -
Expenditures and Transfers		
Operational equipment	_____ 200	_____ 100
Total Expenditures and Transfers	_____ 200	_____ 100
Receipts Over [Under] Expenditures	[200]	[100]
Unencumbered Cash, Beginning	_____ 1,498	_____ 1,598
Unencumbered Cash, Ending	<u>\$ 1,298</u>	<u>\$ 1,498</u>

\* - This fund is not required to be budgeted.

**CITY OF CLAY CENTER, KANSAS**  
 Underage Drinking Reward Fund\*  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Receipts		
Donations	\$ <u>          -</u>	\$ <u>          918</u>
Total Cash Receipts	<u>                  -</u>	<u>                  918</u>
Expenditures and Transfers		
Miscellaneous	<u>                  -</u>	<u>                  -</u>
Total Expenditures and Transfers	<u>                  -</u>	<u>                  -</u>
Receipts Over [Under] Expenditures	-	918
Unencumbered Cash, Beginning	<u>          1,743</u>	<u>          825</u>
Unencumbered Cash, Ending	<u>\$          1,743</u>	<u>\$          1,743</u>

\* - This fund is not required to be budgeted.

**CITY OF CLAY CENTER, KANSAS**  
Statement of Cash, Cash Receipts and Disbursements  
Agency Funds  
For the Year Ended December 31, 2010

<u>FUNDS</u>	Beginning Cash <u>Balance</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Ending Cash <u>Balance</u>
Employee Health Insurance	\$ 238,297	\$ 806,565	\$ 868,245	\$ 176,617
Payroll Withholding Accounts	573	1,705,535	1,704,634	1,474
Police Court	<u>15,024</u>	<u>77,195</u>	<u>73,243</u>	<u>18,976</u>
Total Agency Funds	<u>\$ 253,894</u>	<u>\$ 2,589,295</u>	<u>\$ 2,646,122</u>	<u>\$ 197,067</u>

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

## CITY OF CLAY CENTER, KANSAS

Notes to the Financial Statements  
December 31, 2010

### NOTE 1 - Summary of Significant Accounting Policies

#### Financial Reporting Entity

The City of Clay Center (City) is a municipal corporation governed by a mayor and eight-member council. These financial statements present the City (the primary government) and exclude its component unit entities, of which the City is considered financially accountable. The excluded component units of the City are as follows:

Clay Center Recreation Commission  
Clay Center Public Library  
Clay Center Public Housing Authority

Separate component unit financial statements may be obtained directly from the above.

#### Basis of Accounting

These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. 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.

#### Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

The City has a waiver from accounting principles generally accepted in the United States of America, which allows the City to use the prescribed basis of accounting.

#### Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

## CITY OF CLAY CENTER, KANSAS

Notes to the Financial Statements  
December 31, 2010

### NOTE 1 - Summary of Significant Accounting Policies (Continued)

#### Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The City's governmental fund types are:

General Fund - to account for all unrestricted cash except that required to be accounted for in another fund. This is the principal operating fund of the City.

Special Revenue Funds - are used to account for revenues derived from specific taxes, governmental grants or other revenue sources which are restricted to finance particular functions or activities of the City.

The Permanent Fund – to account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

The Debt Service Fund is used to account for the accumulation of cash for, and the payment of, principal, interest and other related costs of the City's general obligation bonds.

The Capital Project Funds are used to account for the construction of major capital projects.

#### Proprietary Fund Types

The proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those often found in the private sector. The City's proprietary fund types are:

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

#### Fiduciary Funds

Trust and Agency Funds - to account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds.

#### Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. 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 city council to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The 2010 budget was not amended.

The statutes permit transferring budgeted amounts between accounts within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual

## CITY OF CLAY CENTER, KANSAS

Notes to the Financial Statements  
December 31, 2010

### NOTE 1 - Summary of Significant Accounting Policies (Continued)

#### Budgetary Information (Continued)

funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, 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. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, agency funds, and certain special revenue funds.

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 city council.

#### NOTE 2 - Deposits

The City's cash is considered to be active funds by management and is deposited according to KSA 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county in which the City is located or in a county adjacent to the City and the banks provide an acceptable rate for active funds.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk require that the depository banks will maintain 100% security in the form of FDIC coverage and pledged collateral according to KSA 9-1402.

#### NOTE 3 - Retirement Plan

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

*Funding Policy* - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate of 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded by an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate was 6.14% from January 1 to December 31, 2010. The employer contributions to KPERS for years ending December 31, 2010, 2009 and 2008 were \$190,830, \$152,809, and \$141,590 respectively, equal to the required contributions for each year.

**CITY OF CLAY CENTER, KANSAS**

Notes to the Financial Statements  
December 31, 2010

**NOTE 4 - Long-Term Debt**

During the year ended December 31, 2010, the following changes occurred in long term liabilities:

<u>Issue</u>	Balance January 1, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2010</u>	<u>Interest Paid</u>
<b>Revolving Loan</b>					
Waste Water	\$ 163,012	\$ -	\$ 30,647	\$ 132,365	\$ 4,383
Sewer Improvement	425,764	-	18,685	407,079	10,233
Water Treatment	6,165,030	2,905,760	422,085	8,648,705	162,730
<b>General Obligation Bonds</b>					
Series 1996 Waste Water	23,000	-	7,000	16,000	1,243
Series 2001 Electric System	155,000	-	155,000	-	3,294
Series 2007 Street Improvement	575,000	-	50,000	525,000	21,078
Series 2010 Street Improvement	-	975,000	-	975,000	-
Series 2010 Taxable	-	50,000	10,000	40,000	-
Series 2010B Refunding	-	2,785,000	-	2,785,000	13,437
<b>Revenue Bonds</b>					
Series 2003 Electric System	2,980,000	-	2,980,000	-	91,694
<b>Capital Lease Obligation</b>					
New Holland Payloader	34,455	-	16,806	17,649	1,727
Bucket Truck	204,244	-	132,987	71,257	21,438
Fire Equipment	52,595	-	16,736	35,859	2,329
<b>Totals</b>	<b><u>\$10,778,100</u></b>	<b><u>\$ 6,715,760</u></b>	<b><u>\$3,839,946</u></b>	<b><u>\$ 13,653,914</u></b>	<b><u>\$ 333,586</u></b>

*General Obligation Bonds.* The City issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

General Obligation Bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year. General Obligation Bonds currently outstanding are as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of issue</u>	<u>Final Maturity</u>	<u>Amount of issue</u>	<u>Current Amount</u>
Series 1996 Waste Water	4.80%-5.45%	10/15/1996	10/1/2012	\$ 83,940	\$ 16,000
Series 2001 Electric System	2.50%-4.25%	12/15/2001	1/1/2010	1,060,000	-
Series 2007 Street Improvement	3.50%-3.75%	10/1/2008	10/1/2018	625,000	525,000
Series 2010 Street Improvement	1.25%-3.25%	10/19/2010	11/1/2020	975,000	975,000
Series 2010B Refunding	1.00%-3.15%	4/14/2010	1/1/2020	2,785,000	2,785,000
Series 2010 Taxable	0.00%	10/19/2010	9/1/2014	50,000	40,000
				<b><u>\$ 5,578,940</u></b>	<b><u>\$ 4,341,000</u></b>

**CITY OF CLAY CENTER, KANSAS**

Notes to the Financial Statements  
December 31, 2010

NOTE 4 - Long-Term Debt (Continued)

Annual debt service requirements to maturity for the general obligation bonds are as follows

Year Ending December 31,	Governmental Funds		Enterprise Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 163,000	\$ 43,929	\$ -	\$ 62,823	\$ 163,000	\$ 106,752
2012	163,000	40,109	225,000	61,698	388,000	101,806
2013	160,000	36,238	295,000	58,655	455,000	94,893
2014	100,000	19,740	300,000	54,188	400,000	73,928
2015	100,000	17,940	310,000	48,538	410,000	66,478
2016-2020	<u>870,000</u>	<u>68,350</u>	<u>1,655,000</u>	<u>124,194</u>	<u>2,525,000</u>	<u>192,544</u>
	<u>\$ 1,556,000</u>	<u>\$ 226,305</u>	<u>\$ 2,785,000</u>	<u>\$ 410,094</u>	<u>\$ 4,341,000</u>	<u>\$ 636,399</u>

*Revenue Bonds.* The City also issues bonds where the income derived from the assets acquired is pledged to pay debt services. All revenue bonds were retired as of December 31, 2010.

Bond Ordinances 2120 and 2150 provide for the form and details of the issuance of General Obligation Refunding Bond, Series 2001 and Electric System Revenue Bonds, Series 2003.

The ordinances provide for transfers each month equal to 1/6 of the interest and 1/12 of the bond principal to meet the bond maturity and interest payments one month prior to the payment date. The City was in compliance with this requirement at December 31, 2010.

Ordinance No. 2120 requires that the Electric Utility Fund produce net revenues in an amount not less than 100% of annual debt service requirements on all outstanding bonds. For the year ended December 31, 2010, the City was in compliance with this requirement.

Ordinance No. 2120 also requires that the Electric Fund maintain a debt service coverage ratio of not less than 1.25. For the year ended December 31, 2010, the City of Clay Center was in compliance with this requirement.

Ordinance No. 2150 requires a debt reserve account in the amount of \$320,000 to be established upon receipt of the bond proceeds. The ordinance also requires the Electric Utility Fund establish a depreciation and replacement account in the amount of \$300,000. For the year ended December 31, 2010, the City was in compliance with these requirements.

*State Agency Loans.* The City has entered into three loan agreements with the Kansas Department of Health and Environment for improving the wastewater system and water treatment system in Clay Center. At December 31, 2010, the outstanding principal balance for the loans are as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of issue</u>	<u>Final Maturity</u>	<u>Amount of issue</u>	<u>Current Amount</u>
Waste Water	3.07%	10/20/1998	9/1/2014	\$ 425,053	\$ 132,365
Sewer Improvement	2.68%	5/24/2006	9/1/2027	464,521	407,079
Water Treatment*	3.36%	4/18/2007	2/1/2029	<u>7,800,000</u>	<u>8,648,705</u>
				<u>\$ 8,689,574</u>	<u>\$ 9,188,149</u>

\*Amortization schedule is not yet available for this loan as draws had not been completed as of 12/31/2010.

**CITY OF CLAY CENTER, KANSAS**

Notes to the Financial Statements  
December 31, 2010

NOTE 4 - Long-Term Debt (Continued)

The following displays annual debt service requirements to maturity for loans payable to be paid from service revenues, for the full proceeds amount:

	<u>Year Ending</u> <u>December 31,</u>	
	2011	\$ 64,134
	2012	64,134
	2013	64,134
	2014	65,239
	2015	29,252
	2016-2020	146,260
	2021-2025	146,260
	2026-2027	<u>59,448</u>
Total principal and interest		638,861
Less: interest		<u>[99,417]</u>
Total principal		<u>\$ 539,444</u>

NOTE 5 – Leases

The City has entered into the following lease agreement as lessee for financing the acquisition of equipment:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of issue</u>	<u>Final Maturity</u>	<u>Amount of issue</u>	<u>Current Amount</u>
New Holland Payloader	4.90%	5/8/2007	5/8/2011	\$ 65,700	\$ 17,649
Fire Equipment	4.80%	9/27/2002	9/27/2012	150,000	35,859
ALTEC Bucket Truck	12.90%	10/31/2009	9/2/2011	<u>224,675</u>	<u>71,257</u>
				<u>\$ 440,375</u>	<u>\$ 124,765</u>

**CITY OF CLAY CENTER, KANSAS**

Notes to the Financial Statements  
December 31, 2010

NOTE 5 – Leases (Continued)

The future minimum lease obligations and net present value of these minimum lease payments as of December 31, 2010, were as follows:

	<u>Year Ending December 31,</u>	
	2011	\$ 113,030
	2012	<u>18,976</u>
Total minimum lease payments		132,006
Less: amount representing interest		<u>[7,241]</u>
Present value of minimum lease payments		<u>\$ 124,765</u>

NOTE 6 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 - Compensated Absences

It is the City's policy to pay employees' accrued vacation pay upon termination of employment. As of December 31, 2010, the liability for accrued vacation pay was \$63,546.

NOTE 8 - Interfund Transfers

A reconciliation of transfers by fund type for 2010 follows:

	<u>To</u>	<u>From</u>
General Fund	\$ 298,133	\$ 102,958
Pool Project Fund	3,000	-
Street, Building, Machinery & Equipment Fund	83,000	-
Airport Fund	5,000	-
2010 Special Improvement Fund	23,958	-
Electric Utility Fund	-	93,399
Water Utility Fund	-	592,545
Waste Water Fund	371,931	12,000
Refuse Disposal Maintenance Reserve Fund	<u>15,880</u>	<u>-</u>
	<u>\$ 800,902</u>	<u>\$ 800,902</u>

**CITY OF CLAY CENTER, KANSAS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Homeland Security</u>		
<u>Passed through the Kansas Division of Emergency Management</u>		
Public Assistance Grants	97.036	\$ <u>885,941</u>
Total U.S. Department of Homeland Security		<u>885,941</u>
 <u>U.S. Department of Transportation</u>		
<u>Passed through the Kansas Department of Transportation</u>		
Airport Improvement Program	20.106	259,765
State and Community Highway Safety (STEP)	20.600	<u>454</u>
Total U.S. Department of Transportation		<u>260,219</u>
Total Federal Awards		<u>\$ 1,146,160</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

## **CITY OF CLAY CENTER, KANSAS**

### Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2010

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of the City of Clay Center, Kansas. All expenditures of federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the Kansas prescribed basis of accounting which includes cash disbursements, accounts payable and encumbrances.

**CITY OF CLAY CENTER, KANSAS**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2010

Section I - Summary of Auditor's Results

Financial Statements

	Unqualified (Prescribed Basis) <u>Adverse (GAAP)</u>
Type of auditor's report issued:	
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u> X </u> No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u> X </u> Yes ___ No
Noncompliance material to financial statements noted?	___ Yes <u> X </u> No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___ Yes <u> X </u> No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	___ Yes <u> X </u> None reported
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___ Yes <u> X </u> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Public Assistance Grants

Dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	___ Yes <u> X </u> No
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**CITY OF CLAY CENTER, KANSAS**  
 Schedule of Findings and Questioned Costs - Continued  
 For the Year Ended December 31, 2010

Section II - Financial Statement Findings

Current Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>	<u>Questioned Costs</u>	<u>Recommendation</u>	<u>Management Response</u>
N/A	2010-1	The City Clerk possesses a great deal of control over all record keeping function, including receipts, disbursements, and external reporting. Some segregation of duties is practiced and the City Council approves all disbursements which mitigates exposure from this condition	Internal controls should be put in place to provide reasonable assurance that accounting and reporting functions are performed by individuals with proper supervision and with appropriate segregation of duties.	N/A	We recommend that the City Council continue to develop internal controls whenever possible to segregate incompatible accounting and reporting functions.	In a situation where there is limited staff for accounting purposes, it is financially impractical to design and function with ideal internal controls. Significant responsibility and trust is placed on the City Clerk by the City Council. The Council is aware of the weakness in internal controls, and will continue to support the effort made to strengthen the controls when ever possible.
N/A	2010-2	The municipal court lacks a separation of physical control over cash accounting control over cash in dealing with bank reconciliations, cash receipts and cash disbursements.	Internal controls should be put in place to provide reasonable assurance that accounting and reporting functions are performed by individuals with proper supervision and with appropriate segregation of duties.	N/A	We recommend that the City Council continue to develop internal controls whenever possible to segregate incompatible accounting and reporting functions.	In a situation where there is limited staff for accounting purposes, it is financially impractical to design and function with ideal internal controls. The Council is aware of the weakness in internal controls, and will continue to support the effort made to strengthen the controls when ever possible.

**City of Clay Center, Kansas**  
 Schedule of Findings and Questioned Costs - Continued  
 For the Year Ended December 31, 2010

Section II - Financial Statement Findings - Continued

Prior Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>	<u>Questioned Costs</u>	<u>Recommendation</u>	<u>Management Response</u>	<u>Status</u>
N/A	2009-1	The City Clerk possesses a great deal of control over all record keeping function, including receipts, disbursements, and external reporting. Some segregation of duties is practiced and the City Council approves all disbursements which mitigates exposure from this condition	Internal controls should be put in place to provide reasonable assurance that accounting and reporting functions are performed by individuals with proper supervision and with appropriate segregation of duties.	N/A	We recommend that the City Council continue to develop internal controls whenever possible to segregate incompatible accounting and reporting functions.	In a situation where there is limited staff for accounting purposes, it is financially impractical to design and function with ideal internal controls. Significant responsibility and trust is placed on the City Clerk by the City Council. The Council is aware of the weakness in internal controls, and will continue to support the effort made to strengthen the controls when ever possible.	Repeat at 2010-1
N/A	2009-2	The municipal court lacks a separation of physical control over cash accounting control over cash in dealing with bank reconciliations, cash receipts and cash disbursements.	Internal controls should be put in place to provide reasonable assurance that accounting and reporting functions are performed by individuals with proper supervision and with appropriate segregation of duties.	N/A	We recommend that the City Council continue to develop internal controls whenever possible to segregate incompatible accounting and reporting functions.	In a situation where there is limited staff for accounting purposes, it is financially impractical to design and function with ideal internal controls. The Council is aware of the weakness in internal controls, and will continue to support the effort made to strengthen the controls when ever possible.	Repeat at 2010-2

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None noted

Prior Year Findings

None noted

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# LOWENTHAL, WEBB & ODERMANN, P.A.

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

Mayor and City Council  
City of Clay Center, Kansas

We have audited the financial statements of the City of Clay Center, Kansas (the City) as of and for the year ended December 31, 2010, and have issued our report thereon dated June 30, 2011, which is a special report on the financial statements prepared in accordance with a basis of accounting prescribed by the State of Kansas. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's 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 statements will not be prevented, or detected and corrected on a timely basis.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the schedule of findings and questioned costs, as Findings 2010-1 and 2010-2, that we consider to be significant deficiencies in internal control over financial reporting. The City's response to the finding in that same section has not been audited by us and accordingly, we express no opinion on them. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards." However we noted certain other matters that we reported to management of the City in a separate letter dated June 30, 2011.

This report is intended solely for the information and use of the city council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Lowenthal, Wett & Odermann, P.A.*

June 30, 2011

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# LOWENTHAL, WEBB & ODERMANN, P.A.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mayor and City Council  
City of Clay Center, Kansas

Compliance

We have audited the compliance of the City of Clay Center, Kansas (the City), with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2010. Major federal financial programs are 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 each of its major federal programs is the responsibility the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the City 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 our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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.

Our consideration of the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the city council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Lowenthal, Wett & Odermann, P.A.*

June 30, 2011