

**PRELIMINARY  
DRAFT**

**CITY OF JUNCTION CITY, KANSAS**  
**FINANCIAL STATEMENTS**  
**WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION**  
**Year ended December 31, 2010**

CITY OF JUNCTION CITY, KANSAS

Basic Financial Statements With Required  
And Other Supplementary Information

For the year ended December 31, 2010

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and Kansas Society of  
Certified Public Accountants**INDEPENDENT AUDITOR'S REPORT  
ON THE BASIC FINANCIAL STATEMENTS**Mayor and City Commissioners  
City of Junction City, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Junction City, Kansas, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. We were not engaged to audit the aggregate discretely presented component units of the City as of and for the year ended December 31, 2010. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and applicable provisions of 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. The financial statements of the Junction City Public Library and the Spirit of '76 were not audited in accordance with *Government Auditing Standards*. 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 opinions.

The financial statements of the Junction City Public Library (the Library) have not been audited, and we were not engaged to audit the Library's financial statements as part of our audit of the City's basic financial statements. The Library's financial activities are included in the City's basic financial statements as a discretely presented component unit and represent 6 percent, 12 percent and 27 percent of the assets, net assets, and revenues, respectively, of the City's aggregate discretely presented component units. The financial statements of the Spirit of '76 (Spirit) have not been audited, and we were not engaged to audit Spirit's financial statements as part of our audit of the City's basic financial statements. Spirit's financial activities are included in the City's basic financial statements as a discretely presented component unit and represent 94 percent, 88 percent and 73 percent of the assets, net assets, and revenues, respectively, of the City's aggregate discretely presented component units.

Because the Library's and Spirit's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely presented component units of the City of Junction City, Kansas as of and for the year ended December 31, 2010.

# PRELIMINARY DRAFT

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Junction City, Kansas, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and capital improvement fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, on our consideration of the City of Shawnee'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the schedule of funding progress on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules, and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were 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. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

June 30, 2011

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended December 31, 2010

As management of the City of Junction City, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2010.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of 2010 by \$49,559,727 (net assets).
- The City's governmental funds reported combined ending fund balances of \$2,921,438.
- The fund balance for the general fund increased by \$227,967.
- The City's total general obligation debt increased in 2010 by \$36,431,509.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions for the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and economic development. The business-type activities of the City include water and sewer, stormwater, Spin City Skating, Sanitation and Rolling Hills Golf Course.

### **Fund financial statements**

A fund is a grouping or related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

### **Governmental funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.



# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended December 31, 2010

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital improvement fund, capital projects fund and debt service fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its funds. A budgetary comparison statement has been provided for the various governmental funds that are required to have a budget. This is to demonstrate compliance with the annually adopted budget.

### **Proprietary funds**

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operation, stormwater operation, skating rink, sanitation, and the golf course.

Proprietary fund financial statements provide the same type of information as the government wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund, and the stormwater fund.

### Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended December 31, 2010

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$49,559,727 at the close of 2010. The City's net assets increased by \$258,043. The governmental activities decreased by \$843,078. The business type activities increased by \$1,101,121.

#### City of Junction City Government-Wide Financial Statements

	Governmental Activities		Business-type Activities	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Current and other assets	\$ 55,608,567	\$ 58,439,527	\$ 822,944	\$ 2,469,522
Capital assets	92,732,934	89,941,099	72,583,627	70,945,923
Other noncurrent assets	<u>1,646,871</u>	<u>2,398,250</u>	<u>244,116</u>	<u>222,389</u>
Total assets	<u>\$ 149,988,372</u>	<u>\$ 150,778,876</u>	<u>\$ 73,650,687</u>	<u>\$ 73,637,834</u>
Long term liabilities	\$ 140,054,508	\$ 142,128,238	\$ 20,658,649	\$ 19,485,581
Other liabilities	<u>12,061,341</u>	<u>11,621,390</u>	<u>1,562,680</u>	<u>1,621,774</u>
Total liabilities	<u>\$ 152,115,849</u>	<u>\$ 153,749,628</u>	<u>\$ 22,221,329</u>	<u>\$ 21,107,355</u>
Net assets:				
Invested in capital assets, net of related debt	\$ [46,755,055]	\$ [52,187,139]	\$ 51,968,838	\$ 51,460,342
Restricted	43,671,684	45,735,080	-	-
Unrestricted	<u>955,894</u>	<u>3,481,307</u>	<u>[529,480]</u>	<u>1,070,137</u>
Total net assets	<u>\$ [2,127,477]</u>	<u>\$ [2,970,752]</u>	<u>\$ 51,439,358</u>	<u>\$ 52,530,479</u>

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended December 31, 2010

A portion of the City's net assets, \$45,735,080, represents resources that are subject to external restrictions on how they may be used.

### City of Junction City Changes in Net Assets

	Governmental Activities		Business-type Activities	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Revenues:				
Program revenues				
Charges for services	\$ 2,083,131	\$ 2,505,036	\$ 9,611,094	\$ 10,448,340
Operating grants and contributions	3,627,056	1,669,496	612,477	-
Capital grants and contributions	33,674,775	4,875,055	-	-
General revenues				
Property taxes	8,309,953	8,892,436	-	-
Franchise taxes	1,700,570	6,790,642	-	-
Sales tax	6,194,501	1,807,406	-	-
Other	120,575	1,731,515	212	305,358
Total revenue	<u>55,710,561</u>	<u>28,271,586</u>	<u>10,223,783</u>	<u>10,753,698</u>
Expenses:				
General government	6,181,566	5,078,582	-	-
Public safety	7,938,190	7,016,947	-	-
Public works	9,097,814	8,924,171	-	-
Culture and recreation	1,005,475	654,829	-	-
Economic development	238,548	742,286	-	-
Public health and sanitation	-	1,134,918	-	-
Interest on long-term debt	6,210,775	5,721,931	-	-
Water and sewer	-	-	7,640,329	7,210,683
Stormwater	-	-	253,430	246,341
Spin City skating	-	-	233,779	192,967
Golf	-	-	555,128	477,042
Sanitation	-	-	1,236,329	1,366,544
Total expenses	<u>30,672,368</u>	<u>29,273,664</u>	<u>9,918,995</u>	<u>9,493,577</u>
Change in net assets before transfers	25,038,193	[1,002,078]	304,788	1,260,121
Transfers	<u>1,122,955</u>	<u>159,000</u>	<u>[1,122,955]</u>	<u>[159,000]</u>
Change in net assets	<u>26,161,148</u>	<u>[843,078]</u>	<u>[818,167]</u>	<u>1,101,121</u>
Net assets, beginning of year as previously stated	5,915,724	[2,127,477]	17,718,353	51,429,358
Prior period adjustment	<u>[34,204,349]</u>	<u>[197]</u>	<u>34,529,172</u>	<u>-</u>
Net assets, beginning of year restated	<u>[28,288,625]</u>	<u>[2,127,674]</u>	<u>52,247,525</u>	<u>51,429,358</u>
Net assets, end of year	<u>\$ [2,127,477]</u>	<u>\$ [2,970,752]</u>	<u>\$ 51,429,358</u>	<u>\$ 52,530,479</u>

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended December 31, 2010

### **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance- related legal requirements.

#### **Governmental funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a -useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the main operating fund of the City. At the end of 2010, unreserved fund balance of the general fund was \$1,190,569.

#### **Proprietary funds**

The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The change in net assets for the proprietary funds includes both the current year activity and restatement of prior year fund balance.

Unrestricted net assets of the Water and Sewer Fund at the end of 2010 amounted to \$287,425, the Storm Water Fund's unrestricted net assets were \$794,196 and the non major proprietary fund's were \$[11,484]. The non major proprietary funds are the Golf Fund, Spin City, and Sanitation. The total change in net assets in 2010 for the water and sewer fund was an increase of \$712,267 and a decrease of \$[86,966] for the non major funds.

### **General Fund Budgetary Highlights**

The City is being impacted by the rapid growth of the community (2000 Census 18,886 and 2010 Census 23,353) due to expansion at the adjacent military installation. Fort Riley, home of the First Division. Fort Riley will continue to increase in size over the next 2 years (military faculty 'full nest' by 2013). Expenditures for capital infrastructure to meet the growth needs is reflected in the cities increased debt. Fort Riley increased staffing levels to support fort operation from 3,451 to 4,501 employees within the last 10 years.

Public Safety and Public Works demands continue but the city plans to keep up with the cities' expanding population with current staffing levels and no additional major construction projects are projected or scheduled.

Residential and commercial construction continues to grow in the community. The City continues to see building permits issued where other communities in Kansas have not. The permits are for single family and multi-family dwelling units. Building permits related to housing issued in 2010 were 1,042 representing 213 new housing units and 14 new commercial facilities and 2009 were 628, representing 187 new housing units. The previous number of new housing permits issued during the cities' growth include the following: in 2008 were 125 new housing permits representing 331 housing units; in 2007 502 new housing permits representing 1,014 housing units, and in 2006 were 804 new housing permits, representing 1,114 housing units.

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended December 31, 2010

### Capital Asset and Debt Administration

#### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to \$160,887,022 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land, buildings, streets, water and sewer lines, storm sewers, equipment and improvements. See detailed capital asset information in note 5 of the notes to these financial statements.

City of Junction City Capital Assets				
	Governmental Activities		Business-type Activities	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Construction in Progress	\$11,989,479	\$ 40,924	\$ 243,652	\$ 358,493
Land	13,732,739	13,732,739	610,446	610,446
Buildings	19,004,609	19,004,609	26,613,364	26,613,364
Streets	83,493,785	83,710,318	74,535,366	74,791,178
Equipment and Improvements	7,446,180	19,857,994	9,136,403	9,136,403
Less: Accumulated Depreciation	<u>[42,933,858]</u>	<u>[46,405,485]</u>	<u>[38,555,604]</u>	<u>[40,563,961]</u>
Total capital assets, net	<u>\$92,732,934</u>	<u>\$89,941,099</u>	<u>\$72,583,627</u>	<u>\$70,945,923</u>

#### Long-Term Debt

At the end of 2010, the City had total general obligation bonded debt outstanding of \$89,412,972, \$43,757,923 in special assessment debt, and \$15,265,655 in KDOT State of Kansas Revolving Loan fund debt. Of the total amount of bonded debt, \$133,170,895 comprises debt backed by the full faith and credit of the City. In addition, at the end of 2010, the City had long term debt of \$3,950,000 in a certificate of participation, \$1,400,358 in capital lease obligations, and \$7,740,887 in KDHE revolving loans payable. More detailed information about the City's long-term debt is presented in Note 10 to the basic financial statements.

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended December 31, 2010

### City of Junction City Outstanding Debt General Obligation, Revenue and State of Kansas Revolving Loans

	Governmental Activities		Business-type Activities	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
General obligation bonds	\$ 41,251,463	\$ 78,537,972	\$ 11,730,000	\$ 10,875,000
Special assessment debt	45,022,874	43,757,923	-	-
Temporary notes	32,435,000	-	-	-
State of KS Revolving Loans	14,941,048	15,265,655	7,902,304	7,740,887
Certificate of Participation	4,260,000	3,950,000	-	-
Notes Payable	-	-	789,870	719,446
Capital Lease Obligations	1,577,604	1,154,950	306,703	245,408
<b>Total</b>	<b><u>\$ 139,487,989</u></b>	<b><u>\$ 142,666,500</u></b>	<b><u>\$ 20,728,877</u></b>	<b><u>\$ 19,580,741</u></b>

The City's total debt increased by a net amount of \$2,030,375 during 2010. The State of Kansas statutes limit the amount of general obligation debt a government entity may issue up to 30 percent of its total assessed valuation. However, the City of Junction City sought and received a waiver to enable a debt limit up to 40 percent. Certain types of debt do not count in the State of Kansas calculation. Exemptions exist for water and sewer infrastructure projects. The City of Junction City reached its debt limit in 2010.

#### Requests for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the City Clerk's Office, 700 N. Jefferson, Junction City, Kansas.

# PRELIMINARY DRAFT

CITY OF JUNCTION CITY, KANSAS

## STATEMENT OF NET ASSETS December 31, 2010

	Primary Government			Component Units	
	Total Governmental Activities	Total Business-type Activities	Total Primary Government	Public Library (unaudited)	Spirit of '76 (unaudited)
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and investments	\$ 1,381,993	\$ 1,545,839	\$ 2,927,832	\$ 811,064	\$ 140,633
Receivables (net of allowance for uncollectibles)					
Accounts	680,844	1,318,814	1,999,658	-	1,373,689
Taxes	9,390,748	-	9,390,748	-	-
Special assessments	46,545,157	-	46,545,157	-	-
Notes	35,785	-	35,785	-	-
Internal balances	405,000	[405,000]	-	-	-
Inventory	-	9,869	9,869	-	-
Property investment held for sale	-	-	-	-	11,964,206
Deferred charges	2,398,250	222,389	2,620,639	-	-
<b>Total current assets</b>	<u>60,837,777</u>	<u>2,691,911</u>	<u>63,529,688</u>	<u>811,064</u>	<u>13,478,528</u>
<b>Noncurrent assets:</b>					
Capital assets, nondepreciable					
Construction in progress	40,924	358,493	399,417	-	-
Land	13,732,739	610,446	14,343,185	-	-
Capital assets, depreciable	122,572,921	110,540,945	233,113,866	-	-
Less: Accumulated depreciation	[46,405,485]	[40,563,961]	[86,969,446]	-	-
<b>Total noncurrent assets</b>	<u>89,941,099</u>	<u>70,945,923</u>	<u>160,887,022</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 150,778,876</u>	<u>\$ 73,637,834</u>	<u>\$ 224,416,710</u>	<u>\$ 811,064</u>	<u>\$ 13,478,528</u>
<b>Current liabilities:</b>					
Accounts payable	\$ 699,341	\$ 972,054	\$ 1,671,395	\$ 12,718	\$ -
Accrued payroll	210,419	11,302	221,721	-	-
Interest payable	1,994,479	204,101	2,198,580	-	-
Meter deposits payable	-	378,478	378,478	-	-
Unearned revenue	8,063,172	-	8,063,172	-	-
Current portion of compensated absences payable	407,817	39,087	446,904	-	-
Current portion of loans payable	818,561	529,351	1,347,912	-	1,565,894
Current portion of general obligation bonds payable	1,989,365	935,000	2,924,365	-	-
Current portion of special assessments bonds payable	1,688,376	-	1,688,376	-	-
Current portion of certificate of participation	325,000	-	325,000	-	-
Current portion of capital lease payable	392,163	76,843	469,006	-	-
<b>Total current liabilities</b>	<u>16,588,693</u>	<u>3,146,216</u>	<u>19,734,909</u>	<u>12,718</u>	<u>1,565,894</u>
<b>Noncurrent liabilities:</b>					
Compensated absences payable	174,778	16,752	191,530	-	-
Net OPEB Obligation	71,384	-	71,384	-	-
Loans payable	14,447,094	7,930,982	22,378,076	-	6,254,012
General obligation bonds payable	76,010,345	9,844,840	85,855,185	-	-
Special assessments bonds payable	42,069,547	-	42,069,547	-	-
Certificates of participation payable	3,625,000	-	3,625,000	-	-
Capital lease payable	762,787	168,565	931,352	-	-
<b>Total non-current liabilities</b>	<u>137,160,935</u>	<u>17,961,139</u>	<u>155,122,074</u>	<u>-</u>	<u>6,254,012</u>
<b>Total liabilities</b>	<u>\$ 153,749,628</u>	<u>\$ 21,107,355</u>	<u>\$ 174,856,983</u>	<u>\$ 12,718</u>	<u>\$ 7,819,906</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	\$ [52,187,139]	\$ 51,460,342	\$ [726,797]	\$ -	\$ -
Restricted for:					
Capital projects	486,115	-	486,115	-	-
Revolving funds	698,088	-	698,088	-	-
Equipment	199	-	199	-	-
Debt service	44,550,678	-	44,550,678	-	-
Unrestricted	3,481,307	1,070,137	4,551,444	798,346	5,658,622
<b>Total net assets</b>	<u>\$ [2,970,752]</u>	<u>\$ 52,530,479</u>	<u>\$ 49,559,727</u>	<u>\$ 798,346</u>	<u>\$ 5,658,622</u>

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

# PRELIMINARY DRAFT

CITY OF JUNCTION CITY, KANSAS

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2010

	Net [Expenses] Revenue and Changes in Net Assets								
	Program Revenues				Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business-type Activities	Total	Public Library (Unaudited)	Spirit of '76 (Unaudited)
<b>Governmental activities:</b>									
General government	\$ 5,078,582	\$ 548,451	\$ 290,617	\$ -	\$ [4,239,514]	\$ -	\$ [4,239,514]	\$ -	\$ -
Public safety	7,016,947	1,866,086	599,101	142,810	[4,408,950]	-	[4,408,950]	-	-
Public works	8,924,171	7,925	609,121	4,732,245	[3,574,880]	-	[3,574,880]	-	-
Culture and recreation	654,829	82,574	71,757	-	[500,498]	-	[500,498]	-	-
Economic development	742,286	-	98,900	-	[643,386]	-	[643,386]	-	-
Public health and sanitation	1,134,918	-	-	-	[1,134,918]	-	[1,134,918]	-	-
Interest on long-term debt	5,721,931	-	-	-	[5,721,931]	-	[5,721,931]	-	-
<b>Total governmental activities</b>	<b>29,273,664</b>	<b>2,505,036</b>	<b>1,669,496</b>	<b>4,875,055</b>	<b>[20,224,077]</b>	<b>-</b>	<b>[20,224,077]</b>	<b>-</b>	<b>-</b>
<b>Business-type activities:</b>									
Water and Sewer	7,210,683	7,857,651	-	-	-	646,968	646,968	-	-
Stormwater	246,341	722,161	-	-	-	475,820	475,820	-	-
Rolling Hills Golf Skating	477,042	437,633	-	-	-	[39,409]	[39,409]	-	-
Spin City	192,967	167,643	-	-	-	[25,324]	[25,324]	-	-
Sanitation	1,366,544	1,263,252	-	-	-	[103,292]	[103,292]	-	-
<b>Total business-type activities</b>	<b>9,493,577</b>	<b>10,448,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>954,763</b>	<b>954,763</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 38,767,241</b>	<b>\$ 12,953,376</b>	<b>\$ 1,669,496</b>	<b>\$ 4,875,055</b>	<b>[20,224,077]</b>	<b>954,763</b>	<b>[19,269,314]</b>	<b>-</b>	<b>-</b>
<b>Component units:</b>									
Public Library	\$ 915,320	\$ -	\$ 1,014,078	\$ -	-	-	-	98,758	-
Spirit of '76	1,411,984	328,146	176,183	2,255,977	-	-	-	-	1,348,322
<b>Total component units</b>	<b>\$ 2,327,304</b>	<b>\$ 328,146</b>	<b>\$ 1,190,261</b>	<b>\$ 2,255,977</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98,758</b>	<b>1,348,322</b>
<b>General Revenues:</b>									
Property tax					8,892,436	-	8,892,436	-	-
Sales tax					6,790,642	-	6,790,642	-	-
Franchise tax					1,807,406	-	1,807,406	-	-
Payments in lieu of tax					18,080	-	18,080	-	-
Investment revenues					487,162	-	487,162	13,244	-
Miscellaneous					1,226,273	305,358	1,531,631	-	-
Transfers, net					159,000	[159,000]	-	-	-
<b>Subtotal general revenues</b>					<b>19,380,999</b>	<b>146,358</b>	<b>19,527,357</b>	<b>13,244</b>	<b>-</b>
<b>Change in net assets</b>					<b>[843,078]</b>	<b>1,101,121</b>	<b>258,043</b>	<b>112,002</b>	<b>1,348,322</b>
<b>Net assets - beginning</b>					<b>[2,127,477]</b>	<b>51,429,358</b>	<b>49,301,881</b>	<b>685,599</b>	<b>4,310,300</b>
<b>Prior period adjustment</b>					<b>[197]</b>	<b>-</b>	<b>[197]</b>	<b>745</b>	<b>-</b>
<b>Net assets - beginning, restated</b>					<b>[2,127,674]</b>	<b>51,429,358</b>	<b>49,301,684</b>	<b>686,344</b>	<b>4,310,300</b>
<b>Net assets - ending</b>					<b>\$ [2,970,752]</b>	<b>\$ 52,530,479</b>	<b>\$ 49,559,727</b>	<b>\$ 798,346</b>	<b>\$ 5,658,622</b>

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



# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS

### BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2010

	<u>General</u>	<u>Capital Improvement</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and investments	\$ 323,193	\$ -	\$ 216,115	\$ 3,904	\$ 838,781	\$ 1,381,993
Receivables (net)						
Accounts	241,843	-	-	-	439,001	680,844
Taxes	4,816,588	-	-	2,797,375	1,776,785	9,390,748
Special assessments	-	-	-	46,545,157	-	46,545,157
Notes	-	-	-	-	35,785	35,785
Due from other funds	-	-	270,000	2,049,742	406,734	2,726,476
<b>Total assets</b>	<b><u>\$ 5,381,624</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 486,115</u></b>	<b><u>\$ 51,396,178</u></b>	<b><u>\$ 3,497,086</u></b>	<b><u>\$ 60,761,003</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 436,518	\$ 888	\$ -	\$ 3,000	\$ 223,829	\$ 664,235
Retainage payable	35,106	-	-	-	-	35,106
Deferred revenue	3,489,012	-	-	49,342,532	1,776,785	54,608,329
Due to other funds	20,000	1,410,273	-	-	891,203	2,321,476
Accrued liabilities	210,419	-	-	-	-	210,419
<b>Total liabilities</b>	<b><u>4,191,055</u></b>	<b><u>1,411,161</u></b>	<b><u>-</u></b>	<b><u>49,345,532</u></b>	<b><u>2,891,817</u></b>	<b><u>57,839,565</u></b>
<b>FUND BALANCE</b>						
Unreserved, undesignated						
General fund	1,190,569	-	-	-	-	1,190,569
Special revenue fund	-	-	-	-	605,269	605,269
Debt service fund	-	-	-	2,050,646	-	2,050,646
Capital project funds	-	[1,411,161]	486,115	-	-	[925,046]
<b>Total fund balances</b>	<b><u>1,190,569</u></b>	<b><u>[1,411,161]</u></b>	<b><u>486,115</u></b>	<b><u>2,050,646</u></b>	<b><u>605,269</u></b>	<b><u>2,921,438</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 5,381,624</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 486,115</u></b>	<b><u>\$ 51,396,178</u></b>	<b><u>\$ 3,497,086</u></b>	<b><u>\$ 60,761,003</u></b>

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

**PRELIMINARY  
DRAFT**

CITY OF JUNCTION CITY, KANSAS

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
December 31, 2010

Total Governmental Fund Balances		\$ 2,921,438
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
The cost of capital assets is	136,346,584	
Accumulated depreciation is	<u>[46,405,485]</u>	89,941,099
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
		48,943,407
The following liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated absences	[582,595]	
Net OPEB obligation	[71,384]	
Loans payable	[15,265,655]	
General obligation bonds payable	[77,999,710]	
Special assessment bonds payable	[43,757,923]	
Certificates of participation payable	[3,950,000]	
Capital lease payable	[1,154,950]	
Accrued interest on the bonds	<u>[1,994,479]</u>	<u>[144,776,696]</u>
Net Assets of Governmental Activities		\$ <u>[2,970,752]</u>

# PRELIMINARY DRAFT

CITY OF JUNCTION CITY, KANSAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2010

	<u>General</u>	<u>Capital Improvements</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes						
Property	\$ 515,114	\$ 1,846,714	\$ -	\$ 3,428,003	\$ 3,102,605	\$ 8,892,436
Sales	6,790,642	-	-	-	-	6,790,642
Franchise	1,807,406	-	-	-	-	1,807,406
Payment in lieu	18,080	-	-	-	-	18,080
Charges for services	1,250,530	-	-	-	-	1,250,530
Intergovernmental	496,498	38,788	-	-	1,277,020	1,812,306
Licenses and permits	338,229	-	-	-	-	338,229
Fines and fees	916,275	-	-	-	-	916,275
Special assessments	-	-	-	1,845,972	-	1,845,972
Use of money and property	386,429	-	63,581	7,048	30,104	487,162
Miscellaneous	269,040	113,591	115,608	170,010	558,024	1,226,273
	<u>12,788,243</u>	<u>1,999,093</u>	<u>179,189</u>	<u>5,451,033</u>	<u>4,967,753</u>	<u>25,385,311</u>
<b>EXPENDITURES</b>						
Current						
General government	1,774,743	-	-	-	2,976,644	4,751,387
Public safety	5,776,804	-	-	-	791,128	6,567,932
Public works	1,899,931	2,706,505	-	-	1,315,982	5,922,418
Public health and sanitation	1,134,918	-	-	-	-	1,134,918
Culture and recreation	570,353	-	-	-	10,250	580,603
Economic development	239,633	-	-	249,756	252,748	742,137
Miscellaneous	19,928	-	-	5,437	-	25,365
Debt service						
Principal	727,515	-	32,435,000	2,974,352	465,863	36,602,730
Interest and other charges	543,451	-	1,841,957	4,925,842	212,130	7,523,380
Capital outlay	-	-	926,375	-	2,035	928,410
	<u>12,687,276</u>	<u>2,706,505</u>	<u>35,203,332</u>	<u>8,155,387</u>	<u>6,026,780</u>	<u>64,779,280</u>
Excess [deficiency] of revenues over [under] expenditures	<u>100,967</u>	<u>[707,412]</u>	<u>[35,024,143]</u>	<u>[2,704,354]</u>	<u>[1,059,027]</u>	<u>[39,393,969]</u>
Other financing sources [uses]						
Sale of bonds	-	-	34,155,000	4,755,000	-	38,910,000
Loan proceeds	-	-	-	-	1,293,895	1,293,895
Transfers in	200,000	-	-	-	32,000	232,000
Transfers [out]	[73,000]	-	-	-	-	[73,000]
Total other financing sources [uses]	<u>127,000</u>	<u>-</u>	<u>34,155,000</u>	<u>4,755,000</u>	<u>1,325,895</u>	<u>40,362,895</u>
Net change in fund balance	<u>227,967</u>	<u>[707,412]</u>	<u>[869,143]</u>	<u>2,050,646</u>	<u>266,868</u>	<u>968,926</u>
Fund balance - Beginning of year	962,602	[703,749]	1,355,258	-	338,598	1,952,709
Prior period adjustment	-	-	-	-	[197]	[197]
Fund balance - Beginning of year, restated	<u>962,602</u>	<u>[703,749]</u>	<u>1,355,258</u>	<u>-</u>	<u>338,401</u>	<u>1,952,512</u>
Fund balance - End of year	<u>\$ 1,190,569</u>	<u>\$ [1,411,161]</u>	<u>\$ 486,115</u>	<u>\$ 2,050,646</u>	<u>\$ 605,269</u>	<u>\$ 2,921,438</u>

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

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2010

Total Net Change In Fund Balances - Governmental Funds \$ 968,926

Amounts reported for governmental activities in the statement of activities are different because

Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlays	679,791	
Depreciation expense	<u>[3,471,628]</u>	[2,791,837]

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which interest decreased.

69,888

Revenues for long term special assessment receivables are recorded in the statement of activities that do not provide current financial resources are not recorded in the governmental funds.

2,886,273

Some expenses reported in the statement of activities, such as compensated absences and other post employment benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences		[50,426]
Other post employment benefits		[37,032]

Bond and temporary note proceeds are other financing sources in the governmental funds, but they increase long-term liabilities in the statement of net assets and do not affect the statement of activities. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Sale of bonds		[38,910,000]
Loan proceeds		[1,293,895]
Capitalized bond issuance costs and issuance premiums		1,509,673
Amortization of issuance costs		<u>[220,032]</u>

Repayment of bond principal and bond issuance costs is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

General obligation debt		2,888,441
Temporary notes		32,435,000
Loans		969,289
Capital leases		422,654
Certificates of participation		<u>310,000</u>

Changes In Net Assets of Governmental Activities \$ [843,078]

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

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND

For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Taxes	\$ 9,131,242	\$ 8,675,233	\$ 8,675,233	\$ 456,009
Charges for services	1,250,530	866,446	866,446	384,084
Intergovernmental	496,498	1,052,151	1,052,151	[555,653]
Licenses and permits	338,229	250,000	250,000	88,229
Fines and fees	916,275	884,666	884,666	31,609
Use of money and property	386,429	435,000	435,000	[48,571]
Miscellaneous	<u>269,040</u>	<u>160,000</u>	<u>160,000</u>	<u>109,040</u>
Total revenues	<u>12,788,243</u>	<u>12,323,496</u>	<u>12,323,496</u>	<u>464,747</u>
Expenditures				
City manager	1,683,471	1,311,642	1,311,642	[371,829]
Building maintenance	18,021	25,000	25,000	6,979
Information systems	58,210	157,606	157,606	99,396
Administrative services	15,040	17,251	17,251	2,211
Airport	155,824	210,404	210,404	54,580
Court	223,316	218,182	218,182	[5,134]
Ambulance	1,134,918	1,172,231	1,172,231	37,313
Animal shelter	63,802	75,000	75,000	11,198
Codes enforcement	162,148	104,591	104,591	[57,557]
County inspection	12,018	12,800	12,800	782
Police	3,982,770	4,232,510	4,232,510	249,740
Fire	1,506,916	1,463,140	1,463,140	[43,776]
Parks	299,129	483,491	483,491	184,362
Recreation	139,646	278,276	278,276	138,630
Streets	1,744,107	2,766,641	2,766,641	1,022,534
Engineering	65,467	-	-	[65,467]
Opera House	5,176	-	-	[5,176]
Swimming pools	122,525	165,276	165,276	42,751
Arts council	3,878	-	-	[3,878]
Misc	19,928	59,648	59,648	39,720
Debt principal	727,515	-	-	[727,515]
Interest	<u>543,451</u>	<u>-</u>	<u>-</u>	<u>[543,451]</u>
Total expenditures	<u>12,687,276</u>	<u>12,753,689</u>	<u>12,753,689</u>	<u>66,413</u>
Excess [deficiency] of revenues over [under] expenditures	<u>100,967</u>	<u>[430,193]</u>	<u>[430,193]</u>	<u>531,160</u>

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

**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
GENERAL FUND (Continued)  
For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Other financing sources [uses]				
Transfer [out]	\$ [73,000]	\$ -	\$ -	\$ [73,000]
Transfer in	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Total other financing sources [uses]	<u>127,000</u>	<u>-</u>	<u>-</u>	<u>127,000</u>
Net change in fund balance	227,967	[430,193]	[430,193]	658,160
Fund balance, beginning	<u>962,602</u>	<u>-</u>	<u>-</u>	<u>962,602</u>
Fund balance, ending	<u>\$ 1,190,569</u>	<u>\$ [430,193]</u>	<u>\$ [430,193]</u>	<u>\$ 1,620,762</u>

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

**PRELIMINARY  
DRAFT**

CITY OF JUNCTION CITY, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
CAPITAL IMPROVEMENT FUND  
For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Taxes	\$ 1,846,714	\$ 2,027,885	\$ 2,027,885	\$ [181,171]
Intergovernmental	38,788	-	-	38,788
Miscellaneous	<u>113,591</u>	<u>473,757</u>	<u>473,757</u>	<u>[360,166]</u>
Total revenues	<u>1,999,093</u>	<u>2,501,642</u>	<u>2,501,642</u>	<u>[502,549]</u>
Expenditures				
Contractual services	2,706,505	2,484,058	2,484,058	[222,447]
Neighborhood revitalization	<u>-</u>	<u>186,768</u>	<u>186,768</u>	<u>186,768</u>
Total expenditures	<u>2,706,505</u>	<u>2,670,826</u>	<u>2,670,826</u>	<u>[35,679]</u>
Net change in fund balances	[707,412]	[169,184]	[169,184]	[538,228]
Fund balance, beginning	<u>[703,749]</u>	-	-	<u>[703,749]</u>
Fund balance, beginning	<u>\$ [1,411,161]</u>	<u>\$ [169,184]</u>	<u>\$ [169,184]</u>	<u>\$ [1,241,977]</u>

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

**PRELIMINARY  
DRAFT**

CITY OF JUNCTION CITY, KANSAS

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
December 31, 2010

	Business-Type Activities: Enterprise Funds			
	Water and Sewer	Stormwater	Nonmajor Proprietary Funds	Total Enterprise Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 727,767	\$ 701,959	\$ 116,113	\$ 1,545,839
Receivables (net of allowances for uncollectibles)				
Accounts	1,055,580	92,237	170,997	1,318,814
Inventory and prepaid supplies	-	-	9,869	9,869
Total current assets	<u>1,783,347</u>	<u>794,196</u>	<u>296,979</u>	<u>2,874,522</u>
Noncurrent assets:				
Bond issuance costs	222,389	-	-	222,389
Capital assets:				
Nondepreciable capital assets:				
Land	442,562	-	167,884	610,446
Construction in progress	358,493	-	-	358,493
Depreciable capital assets:				
Capital assets	95,995,831	11,862,905	2,682,209	110,540,945
Less: accumulated depreciation	<u>[38,676,439]</u>	<u>[469,400]</u>	<u>[1,418,122]</u>	<u>[40,563,961]</u>
Total noncurrent assets	<u>58,342,836</u>	<u>11,393,505</u>	<u>1,431,971</u>	<u>71,168,312</u>
Total assets	<u>\$ 60,126,183</u>	<u>\$ 12,187,701</u>	<u>\$ 1,728,950</u>	<u>\$ 74,042,834</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 702,437	\$ -	\$ 269,617	\$ 972,054
Accrued payroll	5,088	-	6,214	11,302
Interest payable	204,101	-	-	204,101
Meter deposits payable	378,478	-	-	378,478
Due to other funds	405,000	-	-	405,000
Current portion of compensated absences payable	16,245	-	22,842	39,087
Current portion of loans payable	455,683	-	73,668	529,351
Current portion of capital lease payable	39,158	-	37,685	76,843
Current portion of general obligation bonds payable	935,000	-	-	935,000
Total current liabilities	<u>3,141,190</u>	<u>-</u>	<u>410,026</u>	<u>3,551,216</u>
Noncurrent liabilities:				
Compensated absences payable	6,962	-	9,790	16,752
Loans payable	7,285,204	-	645,778	7,930,982
Capital lease payable	147,946	-	20,619	168,565
General obligation bonds payable	9,844,840	-	-	9,844,840
Total noncurrent liabilities	<u>17,284,952</u>	<u>-</u>	<u>676,187</u>	<u>17,961,139</u>
Total liabilities	<u>\$ 20,426,142</u>	<u>\$ -</u>	<u>\$ 1,086,213</u>	<u>\$ 21,512,355</u>
Net Assets				
Invested in capital assets, net of related debt	\$ 39,412,616	\$ 11,393,505	\$ 654,221	\$ 51,460,342
Unrestricted	<u>287,425</u>	<u>794,196</u>	<u>[11,484]</u>	<u>1,070,137</u>
Total net assets	<u>\$ 39,700,041</u>	<u>\$ 12,187,701</u>	<u>\$ 642,737</u>	<u>\$ 52,530,479</u>

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



**PRELIMINARY  
DRAFT**

CITY OF JUNCTION CITY, KANSAS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2010

	Business-Type Activities: Enterprise Funds			
	Water and Sewer	Stormwater	Nonmajor Proprietary Funds	Total Enterprise Funds
Operating revenue				
Charges for services	\$ 7,857,651	\$ 722,161	\$ 1,868,528	\$ 10,448,340
Miscellaneous	229,194	-	76,164	305,358
Total operating revenues	<u>8,086,845</u>	<u>722,161</u>	<u>1,944,692</u>	<u>10,753,698</u>
Operating expenses				
Personnel services	651,317	9,023	368,772	1,029,112
Contractual services	3,994,335	-	1,411,741	5,406,076
Commodities	320,463	60	170,516	491,039
Depreciation and amortization	1,726,228	237,258	85,524	2,049,010
Total operating expense	<u>6,692,343</u>	<u>246,341</u>	<u>2,036,553</u>	<u>8,975,237</u>
Operating income [loss]	<u>1,394,502</u>	<u>475,820</u>	<u>[91,861]</u>	<u>1,778,461</u>
Nonoperating revenues [expenses]				
Interest expense	<u>[482,235]</u>	<u>-</u>	<u>[36,105]</u>	<u>[518,340]</u>
Total nonoperating revenues [expenses]	<u>[482,235]</u>	<u>-</u>	<u>[36,105]</u>	<u>[518,340]</u>
Income [loss] before transfers	<u>912,267</u>	<u>475,820</u>	<u>[127,966]</u>	<u>1,260,121</u>
Transfers from [to] other funds				
Transfers in	-	-	41,000	41,000
Transfers [out]	<u>[200,000]</u>	<u>-</u>	<u>-</u>	<u>[200,000]</u>
Total transfers	<u>[200,000]</u>	<u>-</u>	<u>41,000</u>	<u>[159,000]</u>
Change in net assets	712,267	475,820	[86,966]	1,101,121
Net assets, beginning	<u>38,987,774</u>	<u>11,711,881</u>	<u>729,703</u>	<u>51,429,358</u>
Net assets, ending	<u>\$ 39,700,041</u>	<u>\$ 12,187,701</u>	<u>\$ 642,737</u>	<u>\$ 52,530,479</u>

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

**PRELIMINARY  
DRAFT**

CITY OF JUNCTION CITY, KANSAS

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2010

	Business-Type Activities: Enterprise Funds				
	Water and Sewer	Stormwater	Nonmajor Proprietary Funds		Total Enterprise Funds
Cash flows from operating activities					
Cash received from customers and users	\$ 7,854,196	\$ 723,200	\$ 1,955,056	\$ 10,532,452	
Cash paid to suppliers of goods and services	[4,533,899]	[60]	[1,459,157]	[5,993,116]	
Cash paid to employees	[655,535]	[9,023]	[352,876]	[1,017,434]	
Other operating receipts	-	-	76,164	76,164	
Net cash provided by [used in] operating activities	2,664,762	714,117	219,187	3,598,066	
Cash flows from capital and related financing activities					
Purchase and construction of capital assets	[358,493]	[12,158]	-	[370,651]	
Principal payments - capital lease	[35,763]	-	-	[35,763]	
Principal payments - general obligation bonds	[705,000]	-	-	[705,000]	
Interest payments	[482,235]	-	[36,933]	[519,168]	
Debt proceeds	260,891	-	-	260,891	
Principal payments - loans payable	[422,309]	-	[107,641]	[529,950]	
Net cash provided by [used in] capital and related financing activities	[1,742,909]	[12,158]	[144,574]	[1,899,641]	
Cash flows from noncapital financing activities					
Transfers in	-	-	41,000	41,000	
Transfers [out]	[200,000]	-	-	[200,000]	
Net cash provided by [used in] noncapital financing activities	[200,000]	-	41,000	[159,000]	
Net increase [decrease] in cash and cash equivalent	721,853	701,959	115,613	1,539,425	
Cash and cash equivalents, beginning	5,914	-	500	6,414	
Cash and cash equivalents, ending	\$ 727,767	\$ 701,959	\$ 116,113	\$ 1,545,839	

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

# PRELIMINARY DRAFT

CITY OF JUNCTION CITY, KANSAS

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (Continued)  
 For the Year Ended December 31, 2010

	Business-Type Activities: Enterprise Funds			
	Water and Sewer	Stormwater	Nonmajor Proprietary Funds	Total Enterprise Funds
Reconciliation of operating [loss] income to net cash provided by [used in] operating activities				
Operating income [loss]	\$ 1,394,502	\$ 475,820	[91,861]	\$ 1,778,461
Net cash provided by [used in] operating activities				
Depreciation expense	1,726,228	237,258	85,524	2,049,010
[Increase] decrease in bond issuance costs	[222,389]	-	-	[222,389]
[Increase] decrease in accounts receivable	[191,823]	1,039	86,528	[104,256]
Increase [decrease] in accounts payable	3,288	-	123,100	126,388
Increase [decrease] in accrued payroll	[2,355]	-	2,054	[301]
Increase [decrease] in accrued compensated absences	[1,863]	-	13,842	11,979
Increase [decrease] in meter deposits payable	[40,826]	-	-	[40,826]
Net cash provided by [used in] operating activities	<u>\$ 2,664,762</u>	<u>\$ 714,117</u>	<u>\$ 219,187</u>	<u>\$ 3,598,066</u>

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

CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**1. Summary of Significant Accounting Policies**

**Reporting Entity**

The City of Junction City, Kansas (the City) was incorporated in 1859 and became a City of the first class on January 1, 1962. The City operates under a City Commission - Manager form of government. The accompanying basic financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in separate columns in the government-wide financial statements (see note below for descriptions) to emphasize that they are legally separate from the City.

*Discretely Presented Component Units.* The Public Library (the Library) is operated by a Library Board which is appointed by the City Commission. The City levies and collects a special library tax to subsidize the Library's operations. The Library's mill levy can be capped by charter ordinance of the City Commission. Bond issuances must also be approved by the City. The Library is presented as a governmental fund type. Separately issued financial statements for the Library are not available.

The Spirit of '76, a Kansas not-for-profit 501(c)(4) corporation, is operated by an eleven member Board appointed by the Mayor and the Chairman of the Board of County Commissioners. The City has issued several series of Industrial Revenue Bonds (IRB's) for economic development projects within the City for which the Spirit of '76 is the tenant under separate financing leases. In relation to these IRB's the City and the Spirit of '76 have entered into economic development grant agreements whereby the City agrees to provide Spirit with an economic development grant in an amount necessary for the Spirit of '76 to make basic rental payments required by the leases. The Spirit of '76 is presented as a governmental fund type. Separately issued financial statements for the Spirit of '76 are not available.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# PRELIMINARY DRAFT

CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

## 1. Summary of Significant Accounting Policies (Continued)

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental funds revenues except property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. While property taxes receivable are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by deferred revenue accounts.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including public safety, public works, parks, recreation, and administration.

The capital improvement fund was established to provide a financing mechanism for the repair, restoration and rehabilitation of existing public facilities.

The capital projects fund accounts for the acquisition and construction of major facilities other than those financed by the enterprise funds.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

The water/sewer fund accounts for the operation and maintenance activities of the City's water distribution and wastewater collection and treatment systems.

The stormwater fund accounts for the operation and maintenance activities of the City's stormwater collection and treatment systems.

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2010

#### 1. Summary of Significant Accounting Policies (Continued)

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water/sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water/sewer and stormwater funds are charges to customers for sales and services. Operating expenses for the water/sewer and stormwater funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

##### Pooled Cash and Investments

Cash and investment of the individual funds are combined to form a pool that is managed by the Director of Finance. Each fund's equity in the pool is included in "deposits and investments" in the financial statements. These pooled deposits and investments consist of operating accounts and investments in the State of Kansas Municipal Investment Pool (MIP) which is overseen by the State of Kansas. The fair value of the City's position in the MIP is the same as the pool value of the shares. Investment earnings, including interest income, are allocated to the funds required to accumulate interest; other investment earnings are allocated based on management discretion. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund.

##### Cash Flows Statement

For purposes of the cash flows statement, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents.

##### Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**1. Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables (Continued)**

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records a trade accounts receivable allowance based on percentages of collection estimated from the aging of the accounts receivable.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**Property Taxes**

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are levied on November 1 of each year, due and payable November 30, delinquent after December 20, and the following September become a lien on the property. The County Treasurer is the tax collection agent for all taxing entities within Geary County.

Property owners have the option of paying one half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the next year. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1 of the next year. Consequently, for revenue recognition purposes, taxes levied during the current year are not available until the ensuing year. At November 1, such taxes are due and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred revenue on the balance sheet of the appropriate funds. This amount is also reported as unearned revenue on the Statement of Net Assets.

Kansas statutes require projects financed in part by special assessments to be paid in installments must be financed through the issuance of general obligation bonds or temporary notes which are secured by the full faith and credit of the City. Special assessments paid prior to the issuance of general obligation bonds are recorded as revenue in the appropriate capital project. Special assessments received after the issuance of general obligation bonds are recorded as revenue in the Debt Service Fund. Further, Kansas statutes require levying additional general and ad valorem property taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Accordingly, special assessments receivable are accounted for within the City's Debt Service Fund. Special assessments are levied over a 10-year period, and annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears.

**Capital Assets**

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$100 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

# PRELIMINARY DRAFT

CITY OF JUNCTION CITY, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2010

### 1. Summary of Significant Accounting Policies (Continued)

#### Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives,

Buildings and systems	40 - 50 years
Improvements	20 - 40 years
Machinery and equipment	5 - 10 years
Infrastructure	40 - 75 years

#### Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. Employees are allowed to accumulate vacation leave not to exceed 240 hours. Fire department employees may accumulate up to 480 hours. The policy prohibits payment for vacation in lieu of time off. Upon termination or retirement, vacation is paid to employees up to the maximum accumulations noted above.

All regular full-time employees employed by the City on or before December 31, 1994 who have an accumulation of more than 1,040 sick leave hours, or more than 1,452 sick leave hours for Fire department shift captains, may accumulate up to the accrued balance of the sick leave hours as of December 31, 1994 which then will become their accumulated maximum. All regular full-time employees employed by the City after December 31, 1994 may accumulate up to 1,040 sick leave hours, or 1,452 sick leave hours for Fire department shift captains. Upon retirement from the City, employees are paid one quarter of his/her accumulated sick leave. To be eligible for the sick leave payout, the retiring employee must be eligible to receive retirement benefits for service with the City through the Kansas Public Employees Retirement System (KPERs) or Kansas Police and Firemen's Retirement System (KP&F).

All vacation pay is accrued when incurred and the varying amounts of accumulated sick leave are accrued upon employees becoming KPERs or KP&F retirement eligible in the government-wide and proprietary financial statements. In the governmental fund financial statements, a liability is accrued when it has matured, for example, as a result of employee resignations and retirements.



CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2010

**1. Summary of Significant Accounting Policies (Continued)**

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Balance**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Concentrations of Credit Risk**

Loans are extended and secured with a lien on the property and a personal guaranty to local industries under the revolving loan program. Unsecured credit is extended to customers for water and sewer fees and charges for services. Intergovernmental receivables include unsecured amounts due from federal, state and county agencies for various grant programs. Credit is extended to citizens for special assessments levied by the City for capital improvements. These assessments are secured by liens on the related properties.

**Use of Estimates**

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

**Pending Governmental Accounting Standards Board Statements**

At December 31, 2010, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was issued in February 2009. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this statement are effective for periods beginning after June 15, 2010.

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS

### NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2010

#### **2. Stewardship, Compliance and Accountability**

##### **Budgetary Information**

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. Legal operating budgets are required for the General, Special Highway, Capital Improvement, Military Affairs, Economic Development, Library, Fire Equipment, Utility Charges, Employee Benefits, Drug & Alcohol, Law Enforcement Trust, and the Debt Service Funds. Budgets are not required for the Grants, Sundown Salute, Capital Projects, Rural Housing District, Revolving Loans, Home Build USD 475, Water and Sewer, Rolling Hills Golf, Stormwater, Spin City Skating and Sanitation Funds. All budgets are prepared utilizing the modified accrual basis and of accounting.

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 a 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.

Kansas statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The 2010 budget was amended for the Utility Charges Fund and the Law Enforcement Trust Fund.

Under Kansas statutes management cannot amend the total budget of a fund without approval of the governing body; however, the statutes permit transferring budgeted amounts between line items within an individual fund or department. Therefore, the legal level of control is at the fund level for all legally adopted budgets. City Commission approval is not needed for category changes or budget transfers within an approved budget. Major category means total personnel services, total contractual services, total materials and supplies, total other charges, or total capital outlay.

##### **Excess of Expenditures Over Appropriations**

For the year ended December 31, 2010, expenditures and transfer out exceeded appropriations in the general fund, capital improvement fund, debt service fund, utility charges fund, employee benefits fund, special highway fund, law enforcement trust fund by \$ 6,587, \$ 35,679, \$ 995,610, \$ 74,176, \$ 5,458, \$ 33,602 and \$12,485, respectively. These over expenditures were funded by excess reserves and available fund balance in the funds.

##### **Deficit Fund Balances**

The capital improvement fund, utility charges fund, employee benefits, library, and rolling hills golf fund had deficit fund balances of \$ 1,411,161, \$208,360, \$785,922, \$27,337, and \$7,270, respectively, at December 31, 2010.

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CITY OF JUNCTION CITY, KANSAS  
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**3. Restatement of Equity**

In 2010, it was determined that an adjustment to beginning accrued liabilities was required. The effect of which is as follows:

	Governmental
	<u>Activities</u>
Net assets - beginning	\$ [2,127,477]
Prior period adjustment	<u>[197]</u>
Net assets - beginning, restated	<u>\$ [2,127,674]</u>

**4. Deposits and Investments**

**Deposits**

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City. At December 31, 2010, the City's deposits were insured by Federal depository insurance and uninsured deposits were fully collateralized in accordance with the City's policy.

**Investments**

At December 31, 2010, the City had the following investments:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
State of Kansas Municipal Investment Pool	< 1 year	\$435

*Credit risk*

Kansas statutes authorize the City, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the State of Kansas municipal investment pool, or to make direct investments. The City's investments in the MIP are rated AAAf/s 1+ by Standard & Poor's.

*Interest rate risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but to the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. The City is not exposed to significant interest rate risk.

*Custodial credit risk - investments*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2010, the City's investments were not exposed to custodial credit risk.

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CITY OF JUNCTION CITY, KANSAS

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**5. Capital Assets**

Capital asset activity for the year ended December 31, 2010 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,732,739	\$ -	\$ -	\$ 13,732,739
Construction in progress	<u>11,989,479</u>	<u>463,254</u>	<u>12,411,809</u>	<u>40,924</u>
Total capital assets not being depreciated	<u>25,722,218</u>	<u>463,254</u>	<u>12,411,809</u>	<u>13,773,663</u>
Capital assets being depreciated:				
Buildings and improvements	19,004,609	-	-	19,004,609
Machinery and equipment	7,446,180	12,411,814	-	19,857,994
Infrastructure	<u>83,493,785</u>	<u>216,533</u>	<u>-</u>	<u>83,710,318</u>
Total capital assets being depreciated	<u>109,944,574</u>	<u>12,628,347</u>	<u>-</u>	<u>122,572,921</u>
Less accumulated depreciation for:				
Buildings and improvements	7,999,938	339,808	-	8,339,746
Machinery and equipment	6,207,177	2,679,185	-	8,886,362
Infrastructure	<u>28,726,743</u>	<u>452,634</u>	<u>-</u>	<u>29,179,377</u>
Total accumulated depreciation	<u>42,933,858</u>	<u>3,471,627</u>	<u>-</u>	<u>46,405,485</u>
Total capital assets being depreciated, net	<u>67,010,716</u>	<u>9,156,720</u>	<u>-</u>	<u>76,167,436</u>
Governmental activities capital assets, net	<u>\$ 92,732,934</u>	<u>\$ 9,619,974</u>	<u>\$ 12,411,809</u>	<u>\$ 89,941,099</u>

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NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**5. Capital Assets (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 610,446	\$ -	\$ -	\$ 610,446
Construction in progress	<u>243,652</u>	<u>370,651</u>	<u>255,810</u>	<u>358,493</u>
Total capital assets not being depreciated	<u>854,098</u>	<u>370,651</u>	<u>255,810</u>	<u>968,939</u>
Capital assets being depreciated:				
Buildings and improvements	26,613,364	-	-	26,613,364
Machinery and equipment	9,136,403	-	-	9,136,403
Infrastructure	<u>74,535,366</u>	<u>255,812</u>	<u>-</u>	<u>74,791,178</u>
Total capital assets being depreciated	<u>110,285,133</u>	<u>255,812</u>	<u>-</u>	<u>110,540,945</u>
Less accumulated depreciation for:				
Buildings and improvements	6,678,458	485,292	-	7,163,750
Machinery and equipment	7,125,730	238,925	-	7,364,655
Infrastructure	<u>24,751,416</u>	<u>1,284,140</u>	<u>-</u>	<u>26,035,556</u>
Total accumulated depreciation	<u>38,555,604</u>	<u>2,008,357</u>	<u>-</u>	<u>40,563,961</u>
Total capital assets being depreciated, net	<u>71,729,529</u>	<u>[1,752,545]</u>	<u>-</u>	<u>69,976,984</u>
Governmental activities capital assets, net	<u>\$ 72,583,627</u>	<u>\$ [1,381,894]</u>	<u>\$ 255,810</u>	<u>\$ 70,945,923</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 318,292
Public safety	368,857
Public works	2,712,668
Parks and recreation	<u>71,810</u>
Total depreciation expense - governmental activities	<u>\$ 3,471,627</u>
Business-type activities:	
Water and Sewer	\$ 1,685,575
Stormwater	237,258
Nonmajor	<u>85,524</u>
Total depreciation expense - business type activities	<u>\$ 2,008,357</u>

CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**6. Defined Benefit Pension Plan**

**Plan Description**

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

**Funding Policy**

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired prior to July 1, 2009. K.S.A. 74-49,210 establishes the KPERS member-employee contributions rate at 6% of covered salary for all employees hired after July 1, 2009. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for 2010 was 6.14%. The City's employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008 were \$174,096, \$165,786, and \$142,249, respectively, equal to the statutory required contributions for each year. The City's KP&F uniform participating employer rate established for calendar year 2010 is 12.86%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2010, 2009, and 2008 were \$631,891, \$670,348, and \$669,774, respectively, equal to the statutory required contributions for each year.

**7. Other Postemployment Healthcare Benefits**

*Description.* The City offers postemployment health insurance to retired employees. The benefits are provided through a single employer defined benefit postemployment healthcare plan administered by the City. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The medical insurance benefit provides the same coverage for retirees and their dependents as for active employees and their dependents. The benefit is available for selection at retirement and is extended to early retirees with at least ten years of service and their dependents until the individuals become eligible for Medicare at 65. The plan does not issue a stand-alone financial report.

*Funding Policy.* The City provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees. The City requires participating retirees to contribute 100 percent of the composite premium cost of active employees to maintain coverage.

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund. In 2010, the City contributed \$13,800 to the plan.

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CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**7. Other Postemployment Healthcare Benefits (Continued)**

*Annual OPEB Cost and Net OPEB Obligation.* The City's annual OPEB (other post employment benefit) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 51,586
Interest on Net OPEB Obligation	1,718
Adjustment to Annual Required Contribution	<u>[2,470]</u>
Annual OPEB cost (expense)	50,834
Benefit payments	<u>13,800</u>
Change in net OPEB obligation	37,034
Net OPEB obligation - beginning of year	<u>34,350</u>
Net OPEB obligation - end of year	<u>\$ 71,384</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year <u>Ended</u>	Annual OPEB Cost <u>Cost</u>	Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>	Percentage of Annual OPEB Cost <u>Contributed</u>
December 31, 2009	\$ 48,126	\$ 13,776	\$ 34,350	28.63%
December 31, 2010	50,834	13,800	71,384	27.15%

*Funded Status and Funding Progress.* As of January 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$510,319. The City's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$510,319. The covered payroll (annual payroll of active employees covered by the plan) was \$8,374,290 and the ratio of the UAAL to the covered payroll was 6.09% percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

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CITY OF JUNCTION CITY, KANSAS

## NOTES TO BASIC FINANCIAL STATEMENTS December 31, 2010

### **7. Other Postemployment Healthcare Benefits (Continued)**

In the January 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was applied. The actuarial assumptions included a 2.0 percent discount rate, which reflects the expected returns of asset classes stipulated in the investment policy underlying idle funds and recent return experience with cash flows that match the expected benefit payments to the City's current and future retirees. The valuation assumed annual healthcare cost trend rates of six to ten percent. The UAAL is being amortized using the level dollar of projected payroll method over a period of 30 years with the remaining amortization period of 29 years. The amortization period used is closed.

### **8. Risk Management**

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

### **9. Commitments and Contingencies**

#### **Litigation**

There are a number of claims and/or lawsuits to which the City is a party as a result of the ordinary course of City activities. The City management and legal counsel anticipate that the potential claims against the City not covered by insurance; if any, resulting from such matters would not materially affect the financial position of the City.

#### **Industrial Revenue Bonds**

The City has issued industrial revenue bonds to finance the purchase of land and construction of facilities leased to local businesses. The lease agreements provide for rentals sufficient to service the related bonds. The debt service on these issues is paid solely from lease agreements; these issues do not constitute a debt of the City. The lessees have the option of purchasing the leased properties at any time during the lease periods for amounts sufficient to retire the related outstanding bonds. At the end of the lease periods, which conform to bond maturity schedules, the lessees may either purchase the property for a nominal amount or renew the leases annually at nominal amounts. As of December 31, 2010, industrial revenue bonds of \$29,598,700 are outstanding.

The City has issued several series of industrial revenue bonds (IRB's) for economic development projects within the City for which the Spirit of '76, Inc. a Kansas not-for-profit 501(c)(41) corporation, is the tenant under separate financing leases that provide for basic rental payments in amounts sufficient to pay debt service on the IRB's. For each of the projects, the Spirit of '76 has entered into a sublease agreement with an entity that occupies and operates the project. The entities occupying and operating the projects are Ventria Bioscience, Capgemini, Inc., the Junction City Opera House, and Edenspace Systems Corporation. The City has no direct payment obligation on these IRB's.



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CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**9. Commitments and Contingencies (Continued)**

**Industrial Revenue Bonds (Continued)**

In relation to these IRB's the City and the Spirit of '76 have entered into economic development grant agreements whereby the City agrees to provide Spirit with an economic development grant in an amount necessary for the Spirit of '76 to make the basic rental payments required by the leases. Pursuant to its home rule powers, the City has adopted an ordinance authorizing the issuance of general obligation bonds in amounts necessary to fulfill the City's obligations under each of the grant agreements, thus making the City's obligations to the Spirit of '76 pursuant to the grant agreements binding obligations not subject to appropriation. The City does not intend to issue such general obligation bonds, but to make the payments on the dates necessary for the Spirit of '76 to make the basic rent payments.

**10. Long-Term Debt**

Changes in long-term debt outstanding are as follows:

Governmental Activities				Amounts	
	Balance	Additions/		Balance	Due Within
	<u>January 1, 2010</u>	<u>Adjustments</u>	<u>Reductions</u>	<u>December 31, 2010</u>	<u>One Year</u>
General obligation bonds	\$ 41,251,463	\$ 38,910,000	\$ 1,623,491	\$ 78,537,972	\$ 1,989,365
Less: deferred amount on refunding	-	[553,455]	[15,193]	[538,262]	-
Special assessment debt					
with government commitment	45,022,874	-	1,264,951	43,757,923	1,688,376
Temporary notes payable	32,435,000	-	32,435,000	-	-
KDOT Loans Payable	14,941,048	1,293,895	969,288	15,265,655	818,561
Certificates of Participation	4,260,000	-	310,000	3,950,000	325,000
Capital leases payable	1,577,604	-	422,654	1,154,950	392,163
Compensated absences	532,169	378,944	328,518	582,595	407,817
Net other postemployment benefit obligation	34,350	50,834	13,800	71,384	-
	<u>\$ 140,054,508</u>	<u>\$ 40,080,218</u>	<u>\$ 37,352,509</u>	<u>\$ 142,782,217</u>	<u>\$ 5,621,282</u>

Business-Type Activities

				Amounts	
	Balance	Additions/		Balance	Due Within
	<u>January 1, 2010</u>	<u>Adjustments</u>	<u>Reductions</u>	<u>December 31, 2010</u>	<u>One Year</u>
General obligation bonds	\$ 11,730,000	\$ -	\$ 855,000	\$ 10,875,000	\$ 935,000
Less: deferred amount on refunding	[206,825]	-	[31,024]	[175,801]	-
Plus: unamortized bond premium	92,737	-	12,096	80,641	-
Revolving loans payable	7,902,304	260,891	422,308	7,740,887	455,683
Notes payable	789,870	-	70,424	719,446	73,668
Capital leases payable	306,703	-	61,295	245,408	76,843
Compensated absences	43,860	34,461	22,482	55,839	39,087
	<u>\$ 20,658,649</u>	<u>\$ 295,352</u>	<u>\$ 1,412,581</u>	<u>\$ 19,541,420</u>	<u>\$ 1,580,281</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

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CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**10. Long-Term Debt (Continued)**

**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 governmental and business-type activities.

General obligation bonds payable at December 31, 2010 are comprised of the following issues:

	<u>Callable Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity Date</u>	<u>Outstanding December 31, 2010</u>
General Obligation Bonds:					
Governmental activities:					
Series 2001-DK	9/1/2011	3.65% to 4.80%	\$ 1,923,010	9/1/2022	\$ 971,404
Series 2003-DL	9/1/2013	2.60% to 4.5%	6,150,000	9/1/2023	3,705,000
Series 2004-DN	9/1/2014	4.00% to 4.75%	4,544,443	9/1/2024	3,821,617
Series 2005-DO	9/1/2015	4.50% to 4.875%	6,000,000	9/1/2025	5,120,000
Series 2007-DP	9/1/2017	4.00% to 5.00%	9,039,606	9/1/2027	8,396,216
Series 2008-DQ	9/1/2018	4.00% to 4.50%	1,320,000	9/1/2028	1,345,000
Series 2008-DR	9/1/2018	5.75% to 6.00%	10,265,000	9/1/2028	9,880,000
Series 2008-DS	anytime	4.125%	382,000	9/15/2028	356,151
Series 2008-DT	9/1/2016	5.25%	1,995,000	9/1/2024	1,904,744
Series 2009-DU	9/1/2019	3.00% to 5.00%	4,222,060	9/1/2014	4,127,840
Series 2010-DW	9/1/2031	2.00% to 4.50%	32,681,738	9/1/2031	32,681,738
Series 2010-DX	9/1/2031	2.40% to 6.20%	5,690,000	9/1/2031	5,690,000
					77,999,710
Business-type activities:					
Series 2007-DP	9/1/2017	4.00% to 5.00%	4,205,000	9/1/2027	3,900,000
Series 2008-DQ	9/1/2018	4.00% to 4.50%	1,950,000	9/1/2028	1,840,000
Series 2009-DV	noncallable	3.00% to 4.00%	5,765,000	9/1/2017	5,039,840
					10,779,840
					\$ 88,779,550

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CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**10. Long-Term Debt (Continued)**

**General Obligation Bonds (Continued)**

The future annual requirements for general obligation bonds outstanding as of December 31, 2010 are as follows:

Year Ending <u>December 31,</u>	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
2011	\$ 6,005,540	\$ 1,362,542	\$ 7,368,082
2012	6,666,723	1,362,018	8,028,741
2013	6,669,432	1,360,479	8,029,911
2014	6,676,225	1,362,943	8,039,168
2015	6,681,624	1,364,242	8,045,866
2016-2020	33,137,757	3,923,062	37,060,819
2021-2025	31,493,327	2,457,020	33,950,347
2026-2030	20,822,646	1,130,575	21,953,221
2031	<u>2,149,900</u>	<u>-</u>	<u>2,149,900</u>
Total Principal and Interest	120,303,175	14,322,881	134,626,056
Total Interest	<u>41,765,203</u>	<u>3,447,881</u>	<u>45,213,084</u>
Total Principal	<u>\$ 78,537,972</u>	<u>\$ 10,875,000</u>	<u>\$ 89,412,972</u>

**Special Assessment Bonds**

The City's special assessment debt was issued to provide funds for the construction of infrastructure in new commercial and residential developments. These bonds will be repaid from amounts levied against the property owners benefitted by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time the debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Special assessment bonds at December 31, 2010 are comprised of the following issues:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity Date</u>	<u>Outstanding December 31, 2010</u>
Special Assessment Bonds:				
Governmental activities:				
Series 2001-DK	3.65% to 4.80%	\$ 336,990	9/1/2022	\$ 228,596
Series 2004-DN	4.00% to 4.75%	415,557	9/1/2024	328,383
Series 2007-DP	4.00% to 5.00%	15,185,394	9/1/2027	13,813,784
Series 2009-DU	3.00% to 5.00%	30,057,940	9/1/2029	<u>29,387,160</u>
				<u>\$ 43,757,923</u>

CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**10. Long-Term Debt (Continued)**

**Special Assessment Bonds (Continued)**

Annual debt service requirements to maturity for special assessment bonds are as follows:

	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,688,376	\$ 1,929,931
2012	1,742,578	1,873,145
2013	1,785,167	1,803,443
2014	1,868,784	1,720,574
2015	1,942,358	1,657,803
2016-2020	10,823,616	7,130,802
2021-2025	13,365,056	4,502,554
2026-2030	10,541,989	1,192,863
	<u>\$ 43,757,923</u>	<u>\$ 21,811,115</u>

**Refunding**

In the current year, the City issued Series 2010 DW and 2010-DX General Obligation bonds for the purpose of advance refunding of the principal and interest due on September 1, 2010 on the City's outstanding general obligation series DK, general obligation bonds, series DN, taxable general obligation bonds, series DO, general obligation refunding and improvement bonds, series DP, taxable general obligation bonds, series DR and general obligation bonds series DU. This refunding was undertaken in order to provide the City additional reserves to offset potential special assessment delinquencies and replenish other funds.

**Capital Leases**

The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases and therefore have been recorded at the present value of their future minimum lease payments as of the inception date. The cost of capital assets financed through capital leases totaled \$3,194,623.

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CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**10. Long-Term Debt (Continued)**

**Capital Leases (Continued)**

The following is a schedule of future minimum lease payments for capital leases as of December 31, 2010:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 392,163	\$ 44,964	\$ 76,843	\$ 12,600
2012	275,084	28,962	53,674	8,713
2013	232,897	17,797	37,182	6,155
2014	185,697	8,566	38,247	4,021
2015	18,329	3,505	39,462	1,770
2016-2018	50,780	4,207	-	-
	<u>\$ 1,154,950</u>	<u>\$ 108,001</u>	<u>\$ 245,408</u>	<u>\$ 33,259</u>

**Revolving Loans Payable**

During 2000, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$3,849,275 to finance improvements to the sewer system. The loan is being repaid over twenty-one years at an interest rate of 3.52%. Payments of \$138,022 were made in 2010, leaving a total outstanding balance of \$1,883,251 which is shown as a liability in the water/sewer fund.

During 2001, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Public Water Supply Loan Fund. The agreement enabled the City to borrow \$744,293 to finance improvements to the water system. The loan is being repaid over twenty-one years at an interest rate of 4.10%. Payments of \$30,878 were made in 2010, leaving a total outstanding balance of \$472,495 which is shown as a liability in the water/sewer fund.

During 2006, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Water Pollution Control Revolving Fund. The agreement enabled the City to borrow \$6,036,000 to finance improvements to the Southwest Wastewater Treatment Plant. Payments of \$253,409 were made in 2010, leaving a total outstanding balance of \$5,073,449 which is shown as a liability in the water/sewer fund. The debt service requirements to the maturity date will not be determinable until the final draws have been made.

In the 2009, the City entered into a loan agreement with the Kansas Department of Health and Environment's Kansas Public Water Supply Loan Fund. The agreement enables the City to borrow \$800,000 to finance improvements to the water system. As of December 31, 2010, the City has drawn \$311,691 on this loan. No payments were made on this loan in 2010, leaving a total outstanding balance of \$311,692. The outstanding balance is shown as a liability in the water/sewer fund. The debt service requirements to the maturity date will not be determinable until the final draws have been made.

During 2006, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enabled the City to borrow \$3,000,000 to finance significant street improvements. The loan is being repaid over ten years at an interest rate of 3.86%. Payments of \$246,121 were made in 2010, leaving a total outstanding balance of \$1,874,131. The loan is shown as a liability in the governmental activities column of the statement of net assets.

CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**10. Long-Term Debt (Continued)**

**Revolving Loans Payable (Continued)**

During 2007, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enabled the City to borrow \$6,000,000 to finance significant street improvements. The loan bears interest at a rate of 3.92%. Draws of \$19,771 and payments of \$274,836 were made in 2010, leaving a total outstanding balance of \$4,595,337. The loan is shown as a liability in the governmental activities column of the statement of net assets. The debt service requirements to the maturity date will not be determinable until the final draws have been made.

During 2008, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enabled the City to borrow \$6,000,000 to finance significant street improvements. The loan bears interest at a rate of 3.76%, Draws of \$384,506 and payments of \$285,544 were made in 2010, leaving a total outstanding balance of \$4,256,327. The loan is shown as a liability in the governmental activities column of the statement of net assets. The debt service requirements to the maturity date will not be determinable until the final draws have been made.

During 2008, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enabled the City to borrow \$4,071,463 to finance significant street improvements. The loan bears interest at a rate of 4.36%. Payments of \$162,788 were made in 2010, leaving a total outstanding balance of \$3,548,055. The loan is shown as a liability in the governmental activities column of the statement of net assets. The debt service requirements to the maturity date will not be determinable until the final draws have been made.

In the 2009, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enables the City to borrow \$107,086 to finance street improvements. The loan bears interest at a rate of 3.76%. Draws of \$2,487 and no payments were made in 2010, leaving a total outstanding balance of \$104,675. The loan is shown as a liability in the governmental activities column of the statement of net assets. The debt service requirements to the maturity date will not be determinable until the final draws have been made.

During 2010, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enabled the City to borrow \$478,845 to finance significant street improvements. The loan bears interest at a rate of 3.76%. Draws of \$470,009 and no payments were made in 2010, leaving a total outstanding balance of \$470,009. The loan is shown as a liability in the governmental activities column of the statement of net assets. The debt service requirements to the maturity date will not be determinable until the final draws have been made.

During 2010, the City entered into a loan agreement with the Kansas Department of Transportation. The agreement enabled the City to borrow \$424,734 to finance significant street improvements. The loan bears interest at a rate of 3.65%. Draws of \$417,121 and no payments were made in 2010, leaving a total outstanding balance of \$417,121. The loan is shown as a liability in the governmental activities column of the statement of net assets. The debt service requirements to the maturity date will not be determinable until the final draws have been made.

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CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**10. Long-Term Debt (Continued)**

**Revolving Loans Payable (Continued)**

The future annual debt service requirements for the amortizable loans payable are as follows:

Year Ending <u>December 31.</u>	Governmental Activities		Business-type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 818,561	\$ 591,619	\$ 455,683	\$ 245,695
2012	837,160	573,020	468,443	231,291
2013	870,067	540,113	483,294	216,440
2014	904,272	505,908	498,630	201,104
2015	939,824	470,356	514,468	185,266
2016-2020	4,108,414	1,822,089	2,828,678	669,994
2021-2025	4,391,387	1,019,701	2,227,238	254,282
2026-2030	<u>2,414,387</u>	<u>173,756</u>	<u>592,760</u>	<u>30,293</u>
Total	<u>\$ 15,284,071</u>	<u>\$ 5,696,562</u>	<u>\$ 8,069,195</u>	<u>\$ 2,034,365</u>

**Certificates of Participation**

The City has issued \$ 4,475,000 of certificates of participation series 2007 with an interest rate of 4% and with a final maturity in 2022. Principal payments are scheduled annually ranging from \$120,000 to \$580,000.

Future maturities of the certificates of participation are as follows:

	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 325,000	\$ 162,488
2012	340,000	149,488
2013	350,000	135,894
2014	365,000	121,888
2015	380,000	107,288
2016-2020	1,480,000	303,313
2021-2022	<u>710,000</u>	<u>54,825</u>
	<u>\$ 3,950,000</u>	<u>\$ 1,035,181</u>

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CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**10. Long-Term Debt (Continued)**

**Spin City Note Payable**

The City took over operation of the Spin City skating rink in 2008. At that time, the City assumed an outstanding note payable with a balance of \$158,382 from the prior operator of the skating rink. The City took out an additional \$355,000 loan in 2008 to finance the purchase of adjacent property and an additional building. In the 2009, the City rolled those two outstanding loans into one loan and drew an additional \$326,618 on the new loan for a total outstanding balance of \$840,000. The loan bears interest at a rate of 4.45%. Principal payments of \$69,597 were made in 2010 leaving an outstanding balance of \$719,446. This balance is shown as a liability in the Spin City nonmajor proprietary fund.

Future maturities of the note payable are as follows:

	Business-type Activities	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 73,668	\$ 30,946
2012	76,981	27,634
2013	80,607	24,007
2014	84,321	20,294
2015	88,205	16,410
2016-2010	<u>315,664</u>	<u>24,333</u>
	<u>\$ 719,446</u>	<u>\$ 143,624</u>

**Temporary Notes Payable**

Temporary note payable activity for the year ended December 31, 2010 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Temporary Notes	\$ 32,435,000	\$ -	\$ 32,435,000	\$ -

All temporary notes issued by the City have been refinanced by other long-term debt with maturities of at least one year beyond the balance sheet date of the period in which the temporary notes were issued. Therefore, the temporary notes are considered long-term debt and have been included in long-term liabilities on the statement of net assets.



CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010

**11. Special Assessments**

Kansas statutes require special benefit district projects financed in part by special assessments to be financed through the issuance of general obligation bonds that are secured by the full faith and credit of the City. Further, state statutes permit levying additional general ad valorem taxes in the City's debt service fund to finance delinquent special assessments receivable. Accordingly, special assessments receivable are accounted for within the City's debt service fund. Special assessments are levied over the repayment period of the bonds and the annual installments are due and payable with annual ad valorem taxes. At December 31, 2010, the special assessment taxes levied are a lien on the property and are recorded as a special assessment receivable in the debt service fund with a corresponding amount recorded as deferred revenue. Special assessments receivable at December 31, 2010 was \$49,342,532.

**12. Interfund Transactions**

Interfund transfers for the year ended December 31, 2010, consisted of the following:

	Transfers		Due to Other Funds	Due from Other Funds
	<u>In</u>	<u>Out</u>		
Major funds:				
General Fund	\$ 200,000	\$ 73,000	\$ 20,000	\$ -
Capital Improvement Fund	-	-	1,410,273	-
Capital Projects Fund	-	-	-	270,000
Debt Service Fund	-	-	-	2,049,742
Water and Sewer Fund	-	200,000	405,000	-
Nonmajor funds:				
Other Proprietary Funds	41,000	-	-	-
Other Governmental Funds	<u>32,000</u>	<u>-</u>	<u>891,203</u>	<u>406,734</u>
	<u>\$ 273,000</u>	<u>\$ 273,000</u>	<u>\$ 2,726,476</u>	<u>\$ 2,726,476</u>

Transfers are used to move revenues from the fund that statutes or the budget requires to collect them to the fund that statutes or the budget requires to expend them. Nonroutine transfers include transfers to the nonmajor funds from the general fund, water/sewer fund, and nonmajor governmental funds to provide local support for grant programs and to reimburse the funds for administrative services provided, and transfers to the capital projects fund from nonmajor proprietary funds, the water/sewer fund, the special highway fund, and the capital improvement fund to fund capital projects and from the water/sewer fund to the general fund for administrative services provided, and transfers to the capital improvement fund from the capital projects fund and general fund for capital improvement projects, and to the water/sewer fund from the capital projects fund and capital improvement fund to fund certain proprietary capital projects, and to the debt service fund from the stormwater fund to reimburse the fund for its share of debt service payments.

The due to/from is an interfund loan payable within one year.

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CITY OF JUNCTION CITY, KANSAS

OTHER POST-EMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2010

Schedule of Funding Progress:

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percent of Payroll (b-a)/(c)
1/1/2009	\$ -	\$ 510,319	\$ 510,319	0.0%	\$ 8,374,290	6.09%

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The special revenue funds used by the City of Junction City, Kansas are:

Economic Development Fund – To account for the joint City/County department that promotes retail and industrial development within or near Junction City and Geary County.

Utility Charges Fund - To provide street lighting and all gas and electric for City-owned facilities.

Employee Benefits Fund - To account for all payroll-related benefit expenses including the City's costs of workers' compensation, social security, retirement, unemployment and health insurance.

Library Fund - To account for the levying of ad valorem property tax on behalf of the Dorothy Bramlage Library Board.

Special Highway Fund - To account for monies levied by the State of Kansas which produces revenues the City can use to defray, in whole or in part, the cost of constructing, altering, reconstructing, maintaining and repairing streets and highways.

Fire Equipment Fund - To account for revenues and expenses for the purchase of rolling stock equipment for the fire department.

Drug and Alcohol Fund - To account for the monies provided by as state liquor tax on private clubs which are to be expended for the purchase, establishment, maintenance or expansion of services or programs for alcoholism prevention and education. The City used this fund to support the D.A.R.E. program in the public school system.

Military Affairs Fund - To account for monies received to reimburse the City for all expenses related to a person that develops relations with Fort Riley officials.

Sundown Salute Fund - To account for the collection of donations used for the City's annual 4<sup>th</sup> of July community celebration.

Revolving Loans Fund – To account for revolving loans used to assist business owners with business upgrades in Junction City.

Grants Fund – to account for grant proceeds received from various funding sources.

Law Enforcement Trust Fund – to account for funds collected through drug forfeitures. The funds can only be used for additional technical equipment or expertise, matching funds for federal grants or to defray the costs of protracted or complex investigation for local police.

### Capital Projects Fund

Home Build USD 475 Fund – To account for the program dollars to support the partnership between the City and Unified School District 475 to teach home building skills to students through the construction of a home annually.

**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2010

	Total Nonmajor Special Revenue <u>Funds</u>	Total Nonmajor Capital Project <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 838,781	\$ -	\$ 838,781
Receivables			
Taxes	1,776,785	-	1,776,785
Accounts	439,001	-	439,001
Notes	35,785	-	35,785
Due from other funds	<u>406,734</u>	-	<u>406,734</u>
Total assets	<u>\$ 3,497,086</u>	<u>\$ -</u>	<u>\$ 3,497,086</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 223,829	\$ -	\$ 223,829
Deferred revenue	1,776,785	-	1,776,785
Due to other funds	<u>891,203</u>	-	<u>891,203</u>
Total liabilities	<u>2,891,817</u>	<u>-</u>	<u>2,891,817</u>
 Fund balance:			
Unreserved			
Undesignated [deficit]	<u>605,269</u>	-	<u>605,269</u>
Total fund balance [deficit]	<u>605,269</u>	<u>-</u>	<u>605,269</u>
Total liabilities and fund balances	<u>\$ 3,497,086</u>	<u>\$ -</u>	<u>\$ 3,497,086</u>

See independent auditor's report on the financial statements.

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2010

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Taxes	\$ 3,102,605	\$ -	\$ 3,102,605
Intergovernmental	1,277,020	-	1,277,020
Use of money and property	30,104	-	30,104
Miscellaneous	<u>502,615</u>	<u>55,409</u>	<u>558,024</u>
Total revenues	<u>4,912,344</u>	<u>55,409</u>	<u>4,967,753</u>
<b>EXPENDITURES:</b>			
Current			
General government	2,976,644	-	2,976,644
Public safety	791,128	-	791,128
Public works	1,260,704	55,278	1,315,982
Recreation	10,250	-	10,250
Economic development	252,748	-	252,748
Capital outlay	2,035	-	2,035
Debt service			
Principal	465,863	-	465,863
Interest and other charges	<u>212,130</u>	<u>-</u>	<u>212,130</u>
Total expenditures	<u>5,971,502</u>	<u>55,278</u>	<u>6,026,780</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[1,059,158]</u>	<u>131</u>	<u>[1,059,027]</u>
Other financing sources [uses]			
Loan proceeds	1,293,895	-	1,293,895
Transfers in	<u>32,000</u>	<u>-</u>	<u>32,000</u>
Total other financing sources (uses)	<u>1,325,895</u>	<u>-</u>	<u>1,325,895</u>
Net change in fund balance	<u>266,737</u>	<u>131</u>	<u>266,868</u>
Fund balance - Beginning of year	338,729	[131]	338,598
Prior period adjustment	<u>[197]</u>	<u>-</u>	<u>[197]</u>
Fund balances, beginning of the year, restated	<u>338,532</u>	<u>[131]</u>	<u>338,401</u>
Fund balance - End of year	<u>\$ 605,269</u>	<u>\$ -</u>	<u>\$ 605,269</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
December 31, 2010

	<u>Economic Development</u>	<u>Utility Charges</u>	<u>Employee Benefits</u>	<u>Library</u>
<b>ASSETS</b>				
Cash and investments	\$ 59,393	\$ -	\$ -	\$ -
Receivables				
Property tax	180,385	42,343	627,702	786,266
Accounts	-	3,936	9,405	-
Notes	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 239,778</u>	<u>\$ 46,279</u>	<u>\$ 637,107</u>	<u>\$ 786,266</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,324	\$ 68,363	\$ 81,579	\$ -
Deferred revenues	180,385	42,343	627,702	786,266
Due to other funds	-	143,933	713,748	27,337
Total liabilities	<u>181,709</u>	<u>254,639</u>	<u>1,423,029</u>	<u>813,603</u>
Fund balance:				
Unreserved				
Undesignated [deficit]	<u>58,069</u>	<u>[208,360]</u>	<u>[785,922]</u>	<u>[27,337]</u>
Total fund balance [deficit]	<u>58,069</u>	<u>[208,360]</u>	<u>[785,922]</u>	<u>[27,337]</u>
Total liabilities and fund balances	<u>\$ 239,778</u>	<u>\$ 46,279</u>	<u>\$ 637,107</u>	<u>\$ 786,266</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS (Continued)  
December 31, 2010

	<u>Special Highway</u>	<u>Fire Equipment</u>	<u>Drug and Alcohol</u>	<u>Military Affairs</u>
<b>ASSETS</b>				
Cash and investments	\$ 251,356	\$ 199	\$ 109,847	\$ -
Receivables				
Property tax	-	140,089	-	-
Accounts	-	-	-	-
Notes	-	-	-	28,000
Due from other funds	<u>386,734</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 638,090</u>	<u>\$ 140,288</u>	<u>\$ 109,847</u>	<u>\$ 28,000</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 66,647	\$ -	\$ 100	\$ 1,122
Deferred revenues	-	140,089	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,687</u>
Total liabilities	<u>66,647</u>	<u>140,089</u>	<u>100</u>	<u>3,809</u>
 Fund balance:				
Unreserved				
Undesignated [deficit]	<u>571,443</u>	<u>199</u>	<u>109,747</u>	<u>24,191</u>
Total fund balance [deficit]	<u>571,443</u>	<u>199</u>	<u>109,747</u>	<u>24,191</u>
Total liabilities and fund balances	<u>\$ 638,090</u>	<u>\$ 140,288</u>	<u>\$ 109,847</u>	<u>\$ 28,000</u>

**PRELIMINARY  
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<u>Sundown Salute</u>	<u>Revolving Loans</u>	<u>Grants</u>	<u>Law Enforcement Trust</u>	<u>Totals</u>
\$ 654	\$ 266,399	\$ -	\$ 150,933	\$ 838,781
-	-	-	-	1,776,785
332	423,904	1,424	-	439,001
-	7,785	-	-	35,785
-	-	20,000	-	406,734
<u>\$ 986</u>	<u>\$ 698,088</u>	<u>\$ 21,424</u>	<u>\$ 150,933</u>	<u>\$ 3,497,086</u>

\$ -	\$ -	\$ 1,589	\$ 3,105	\$ 223,829
-	-	-	-	1,776,785
-	-	3,498	-	891,203
-	-	5,087	3,105	2,891,817

986	698,088	16,337	147,828	605,269
<u>986</u>	<u>698,088</u>	<u>16,337</u>	<u>147,828</u>	<u>605,269</u>
<u>\$ 986</u>	<u>\$ 698,088</u>	<u>\$ 21,424</u>	<u>\$ 150,933</u>	<u>\$ 3,497,086</u>

See independent auditor's report on the financial statements.



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CITY OF JUNCTION CITY, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
For the Year Ended December 31, 2010

	<u>Economic Development</u>	<u>Utility Charges</u>	<u>Employee Benefits</u>	<u>Library</u>
Revenues				
Taxes	\$ 31,948	\$ 669,164	\$ 1,275,396	\$ 621,140
Intergovernmental	98,900	-	-	-
Use of money and property	-	-	29,595	-
Miscellaneous	-	51,175	166,326	-
Total revenues	<u>130,848</u>	<u>720,339</u>	<u>1,471,317</u>	<u>621,140</u>
Expenditures				
General government	-	-	2,268,151	648,477
Public safety	-	-	-	-
Public works	-	920,981	-	-
Recreation	-	-	-	-
Economic development	242,109	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>242,109</u>	<u>920,981</u>	<u>2,268,151</u>	<u>648,477</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[111,261]</u>	<u>[200,642]</u>	<u>[796,834]</u>	<u>[27,337]</u>
Other financing sources [uses]				
Loan proceeds	-	-	-	-
Transfers in	32,000	-	-	-
Total other financing sources [uses]	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>[79,261]</u>	<u>[200,642]</u>	<u>[796,834]</u>	<u>[27,337]</u>
Fund balances, beginning of the year	137,547	[7,718]	10,912	-
Prior period adjustment	[217]	-	-	-
Fund balances, beginning of the year, restated	<u>137,330</u>	<u>[7,718]</u>	<u>10,912</u>	<u>-</u>
Fund balance, end of year	<u>\$ 58,069</u>	<u>\$ [208,360]</u>	<u>\$ [785,922]</u>	<u>\$ [27,337]</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS (Continued)  
For the Year Ended December 31, 2010

	<u>Special Highway</u>	<u>Fire Equipment</u>	<u>Drug and Alcohol</u>	<u>Military Affairs</u>	<u>Sundown Salute</u>
Revenues					
Taxes	\$ -	\$ 78,781	\$ 86,391	\$ -	\$ -
Intergovernmental	609,121	-	-	-	-
Interest income	-	-	-	-	-
Miscellaneous	-	248	-	57,013	6,110
Total revenues	<u>609,121</u>	<u>79,029</u>	<u>86,391</u>	<u>57,013</u>	<u>6,110</u>
Expenditures					
General government	-	-	-	60,016	-
Public safety	-	103,952	53,080	-	-
Public works	172,628	-	-	-	-
Recreation	-	-	-	-	6,152
Economic development	-	-	-	-	-
Capital outlay	2,035	-	-	-	-
Debt service					
Principal	246,121	-	-	-	-
Interest	91,578	-	-	-	-
Total Expenditures	<u>512,362</u>	<u>103,952</u>	<u>53,080</u>	<u>60,016</u>	<u>6,152</u>
Excess [deficiency] of revenues over [under] expenditures	<u>96,759</u>	<u>[24,923]</u>	<u>33,311</u>	<u>[3,003]</u>	<u>[42]</u>
Other financing sources [uses]					
Loan proceeds	1,293,895	-	-	-	-
Transfers in	-	-	-	-	-
Total other financing sources [uses]	<u>1,293,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>1,390,654</u>	<u>[24,923]</u>	<u>33,311</u>	<u>[3,003]</u>	<u>[42]</u>
Fund balances, beginning of the year	[819,211]	25,122	76,436	27,174	1,028
Prior period adjustment	-	-	-	20	-
Fund balances, beginning of the year, restated	<u>[819,211]</u>	<u>25,122</u>	<u>76,436</u>	<u>27,194</u>	<u>1,028</u>
Fund balance, end of year	<u>\$ 571,443</u>	<u>\$ 199</u>	<u>\$ 109,747</u>	<u>\$ 24,191</u>	<u>\$ 986</u>

**PRELIMINARY  
DRAFT**

Revolving Loans	Grants	Rural Housing District	Law Enforcement Trust	Totals
\$ -	\$ -	\$ 339,785	\$ -	\$ 3,102,605
-	568,999	-	-	1,277,020
-	-	509	-	30,104
<u>11,809</u>	<u>-</u>	<u>-</u>	<u>209,934</u>	<u>502,615</u>
<u>11,809</u>	<u>568,999</u>	<u>340,294</u>	<u>209,934</u>	<u>4,912,344</u>
-	-	-	-	2,976,644
-	486,611	-	147,485	791,128
-	167,095	-	-	1,260,704
-	4,098	-	-	10,250
10,639	-	-	-	252,748
-	-	-	-	2,035
-	-	219,742	-	465,863
-	-	<u>120,552</u>	-	<u>212,130</u>
<u>10,639</u>	<u>657,804</u>	<u>340,294</u>	<u>147,485</u>	<u>5,971,502</u>
<u>1,170</u>	<u>[88,805]</u>	<u>-</u>	<u>62,449</u>	<u>[1,059,158]</u>
-	-	-	-	1,293,895
-	-	-	-	<u>32,000</u>
-	-	-	-	<u>1,325,895</u>
<u>1,170</u>	<u>[88,805]</u>	<u>-</u>	<u>62,449</u>	<u>266,737</u>
696,918	105,142	-	85,379	338,729
-	-	-	-	<u>[197]</u>
<u>696,918</u>	<u>105,142</u>	<u>-</u>	<u>85,379</u>	<u>338,532</u>
<u>\$ 698,088</u>	<u>\$ 16,337</u>	<u>\$ -</u>	<u>\$ 147,828</u>	<u>\$ 605,269</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
DRAFT**

CITY OF JUNCTION CITY, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET

DEBT SERVICE FUND

For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Taxes	\$ 3,428,003	\$ 3,633,821	\$ 3,633,821	\$ [205,818]
Special assessments	1,845,972	2,552,202	2,552,202	[706,230]
Interest income	7,048	-	-	7,048
Miscellaneous revenues	<u>170,010</u>	<u>150,000</u>	<u>150,000</u>	<u>20,010</u>
Total revenues	<u>5,451,033</u>	<u>6,336,023</u>	<u>6,336,023</u>	<u>[884,990]</u>
Expenditures				
Debt service				
Principal	2,974,352	3,930,366	3,930,366	956,014
Interest and other charges	4,925,842	3,000,000	3,000,000	[1,925,842]
Neighborhood revitalization	249,756	229,411	229,411	[20,345]
Other	<u>5,437</u>	<u>-</u>	<u>-</u>	<u>[5,437]</u>
Total expenditures	<u>8,155,387</u>	<u>7,159,777</u>	<u>7,159,777</u>	<u>[995,610]</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[2,704,354]</u>	<u>[823,754]</u>	<u>[823,754]</u>	<u>[1,880,600]</u>
Other financing sources [uses]				
Sale of bonds	<u>4,755,000</u>	<u>-</u>	<u>-</u>	<u>4,755,000</u>
Total other financing sources	<u>4,755,000</u>	<u>-</u>	<u>-</u>	<u>4,755,000</u>
Net change in fund balance	2,050,646	[823,754]	[823,754]	2,874,400
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,050,646</u>	<u>\$ [823,754]</u>	<u>\$ [823,754]</u>	<u>\$ 2,874,400</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
ECONOMIC DEVELOPMENT FUND  
For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Taxes	\$ 31,948	\$ 34,989	\$ 34,989	\$ [3,041]
Intergovernmental	<u>98,900</u>	<u>98,900</u>	<u>98,900</u>	<u>-</u>
Total revenues	<u>130,848</u>	<u>133,889</u>	<u>133,889</u>	<u>[3,041]</u>
Expenditures				
Personal services	85,477	157,190	157,190	71,713
Contractual services	71,581	91,500	91,500	19,919
Commodities	85,051	6,600	6,600	[78,451]
Capital outlay	-	1,900	1,900	1,900
Neighborhood revitalization	<u>-</u>	<u>12,957</u>	<u>12,957</u>	<u>12,957</u>
Total expenditures	<u>242,109</u>	<u>270,147</u>	<u>270,147</u>	<u>28,038</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[111,261]</u>	<u>[136,258]</u>	<u>[136,258]</u>	<u>24,997</u>
Other financing sources [uses]				
Transfer in	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>32,000</u>
Total other financing sources [uses]	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>32,000</u>
Net change in fund balances	<u>[79,261]</u>	<u>[136,258]</u>	<u>[136,258]</u>	<u>56,997</u>
Fund balance, beginning	137,547	-	-	137,547
Prior period adjustment	<u>[217]</u>	<u>-</u>	<u>-</u>	<u>[217]</u>
Fund balance, beginning, restated	<u>137,330</u>	<u>-</u>	<u>-</u>	<u>137,330</u>
Fund balance, ending	<u>\$ 58,069</u>	<u>\$ [136,258]</u>	<u>\$ [136,258]</u>	<u>\$ 194,327</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
UTILITY CHARGES FUND  
For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Taxes	\$ 669,164	\$ 708,248	\$ 726,894	\$ [57,730]
Miscellaneous	<u>51,175</u>	<u>-</u>	<u>222,000</u>	<u>[170,825]</u>
Total revenues	<u>720,339</u>	<u>708,248</u>	<u>948,894</u>	<u>[228,555]</u>
Expenditures				
Contractual services	920,981	720,011	790,000	[130,981]
Neighborhood revitalization	<u>-</u>	<u>56,805</u>	<u>56,805</u>	<u>56,805</u>
Total expenditures	<u>920,981</u>	<u>776,816</u>	<u>846,805</u>	<u>[74,176]</u>
Net change in fund balances	[200,642]	[68,568]	102,089	[302,731]
Fund balance, beginning	<u>[7,718]</u>	<u>-</u>	<u>-</u>	<u>[7,718]</u>
Fund balance, ending	<u>\$ [208,360]</u>	<u>\$ [68,568]</u>	<u>\$ 102,089</u>	<u>\$ [310,449]</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
EMPLOYEE BENEFITS FUND  
For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Taxes	\$ 1,275,396	\$ 1,316,398	\$ 1,316,398	\$ [41,002]
Interest income	29,595	-	-	29,595
Miscellaneous revenues	<u>166,326</u>	<u>713,129</u>	<u>713,129</u>	<u>[546,803]</u>
Total revenues	<u>1,471,317</u>	<u>2,029,527</u>	<u>2,029,527</u>	<u>[558,210]</u>
Expenditures				
Personnel services	1,984,571	2,061,048	2,061,048	76,477
Contractual services	283,580	147,279	147,279	[136,301]
Neighborhood revitalization	<u>-</u>	<u>54,366</u>	<u>54,366</u>	<u>54,366</u>
Total expenditures	<u>2,268,151</u>	<u>2,262,693</u>	<u>2,262,693</u>	<u>[5,458]</u>
Net change in fund balances	[796,834]	[233,166]	[233,166]	[563,668]
Fund balance, beginning	<u>10,912</u>	<u>-</u>	<u>-</u>	<u>10,912</u>
Fund balance, ending	<u>\$ [785,922]</u>	<u>\$ [233,166]</u>	<u>\$ [233,166]</u>	<u>\$ [552,756]</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
LIBRARY FUND

For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Taxes	\$ 621,140	\$ 655,876	\$ 655,876	\$ [34,736]
Total revenues	<u>621,140</u>	<u>655,876</u>	<u>655,876</u>	<u>[34,736]</u>
Expenditures				
Contractual services	<u>648,477</u>	<u>657,084</u>	<u>657,084</u>	<u>8,607</u>
Total expenditures	<u>648,477</u>	<u>657,084</u>	<u>657,084</u>	<u>8,607</u>
Net change in fund balances	[27,337]	[1,208]	[1,208]	[26,129]
Fund balance, beginning	-	-	-	-
Fund balance, ending	<u>\$ [27,337]</u>	<u>\$ [1,208]</u>	<u>\$ [1,208]</u>	<u>\$ [26,129]</u>

See independent auditor's report on the financial statements.



**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
SPECIAL HIGHWAY FUND  
For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Intergovernmental	\$ 609,121	\$ 451,610	\$ 451,610	\$ 157,511
Total revenues	<u>609,121</u>	<u>451,610</u>	<u>451,610</u>	<u>157,511</u>
Expenditures				
Personnel services	-	109,656	109,656	109,656
Commodities	2,035	-	-	[2,035]
Contractual services	172,628	41,142	41,142	[131,486]
Debt service	<u>337,699</u>	<u>327,962</u>	<u>327,962</u>	<u>[9,737]</u>
Total expenditures	<u>512,362</u>	<u>478,760</u>	<u>478,760</u>	<u>[33,602]</u>
Excess [deficiency] of revenues over [under] expenditures	<u>96,759</u>	<u>[27,150]</u>	<u>[27,150]</u>	<u>123,909</u>
Other financing sources [uses]				
Loan proceeds	<u>1,293,895</u>	-	-	<u>1,293,895</u>
Total other financing sources [uses]	<u>1,293,895</u>	-	-	<u>1,293,895</u>
Net change in fund balances	1,390,654	[27,150]	[27,150]	1,417,804
Fund balance, beginning	<u>[819,211]</u>	-	-	<u>[819,211]</u>
Fund balance, ending	<u>\$ 571,443</u>	<u>\$ [27,150]</u>	<u>\$ [27,150]</u>	<u>\$ 598,593</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
FIRE EQUIPMENT FUND  
For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Taxes	\$ 78,781	\$ 81,101	\$ 81,101	\$ [2,320]
Miscellaneous revenues	<u>248</u>	<u>-</u>	<u>-</u>	<u>248</u>
Total revenues	<u>79,029</u>	<u>81,101</u>	<u>81,101</u>	<u>[2,072]</u>
Expenditures				
Contractual	5,545	-	-	[5,545]
Debt service	98,407	-	-	[98,407]
Capital outlay	<u>-</u>	<u>162,249</u>	<u>162,249</u>	<u>162,249</u>
Total expenditures	<u>103,952</u>	<u>162,249</u>	<u>162,249</u>	<u>58,297</u>
Net change in fund balances	[24,923]	[81,148]	[81,148]	56,225
Fund balance, beginning	<u>25,122</u>	<u>-</u>	<u>-</u>	<u>25,122</u>
Fund balance, ending	<u>\$ 199</u>	<u>\$ [81,148]</u>	<u>\$ [81,148]</u>	<u>\$ 81,347</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
DRAFT**

CITY OF JUNCTION CITY, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
DRUG AND ALCOHOL FUND  
For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Taxes	\$ 86,391	\$ 79,422	\$ 79,422	\$ 6,969
Total revenues	<u>86,391</u>	<u>79,422</u>	<u>79,422</u>	<u>6,969</u>
Expenditures				
Personnel services	53,006	50,000	50,000	[3,006]
Contractual services	<u>74</u>	<u>29,422</u>	<u>29,422</u>	<u>29,348</u>
Total expenditures	<u>53,080</u>	<u>79,422</u>	<u>79,422</u>	<u>26,342</u>
Net change in fund balances	33,311	-	-	33,311
Fund balance, beginning	<u>76,436</u>	<u>-</u>	<u>-</u>	<u>76,436</u>
Fund balance, ending	<u>\$ 109,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,747</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
MILITARY AFFAIRS FUND  
For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Intergovernmental	\$ -	\$ 140,000	\$ 140,000	\$ [140,000]
Miscellaneous revenues	<u>57,013</u>	<u>15,000</u>	<u>15,000</u>	<u>42,013</u>
Total revenues	<u>57,013</u>	<u>155,000</u>	<u>155,000</u>	<u>[97,987]</u>
Expenditures				
Personnel services	60,016	75,000	75,000	14,984
Contractual services	-	25,000	25,000	25,000
Commodities	<u>-</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
Total expenditures	<u>60,016</u>	<u>140,000</u>	<u>140,000</u>	<u>79,984</u>
Net change in fund balances	<u>[3,003]</u>	<u>15,000</u>	<u>15,000</u>	<u>[18,003]</u>
Fund balance, beginning	27,174	-	-	27,174
Prior period adjustment	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>
Fund balance, beginning restated	<u>27,194</u>	<u>-</u>	<u>-</u>	<u>27,194</u>
Fund balance, ending	<u>\$ 24,191</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 9,191</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
LAW ENFORCEMENT TRUST FUND  
For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Miscellaneous revenues	\$ 209,934	\$ 50,000	\$ 135,000	\$ 74,934
Total revenues	<u>209,934</u>	<u>50,000</u>	<u>135,000</u>	<u>74,934</u>
Expenditures				
Personnel services	13,896	-	25,000	11,104
Commodities	116,116	50,000	110,000	[6,116]
Contractual services	6,118	-	-	[6,118]
Debt service	<u>11,355</u>	<u>-</u>	<u>-</u>	<u>[11,355]</u>
Total expenditures	<u>147,485</u>	<u>50,000</u>	<u>135,000</u>	<u>[12,485]</u>
Net change in fund balance	62,449	-	-	62,449
Fund balance, beginning	<u>85,379</u>	<u>-</u>	<u>-</u>	<u>85,379</u>
Fund balance, ending	<u>\$ 147,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,828</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
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CITY OF JUNCTION CITY, KANSAS  
NONMAJOR PROPRIETARY FUNDS

Spin City Skating Fund - To account for the operations and maintenance of a skating rink.

Rolling Hills Golf Fund - To account for the operation and maintenance of the municipal golf course.

Sanitation Fund – To account for the operation and maintenance of the sanitation system operated within the City.

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS

### COMBINING STATEMENT OF NET ASSETS NONMAJOR PROPRIETARY FUNDS December 31, 2010

	Rolling Hills Golf	Spin City Skating	Sanitation	Total Nonmajor Proprietary Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 806	\$ 1,477	\$ 113,830	\$ 116,113
Receivables (net of allowance for uncollectibles)				
Accounts	-	-	170,997	170,997
Inventory and prepaid supplies	9,869	-	-	9,869
Total current assets	10,675	1,477	284,827	296,979
Capital assets:				
Nondepreciable capital assets:				
Land	-	167,884	-	167,884
Depreciable capital assets:				
Capital assets	1,028,997	1,298,643	354,569	2,682,209
Less: accumulated depreciation	[951,135]	[124,864]	[342,123]	[1,418,122]
Total capital assets	77,862	1,341,663	12,446	1,431,971
Total assets	\$ 88,537	\$ 1,343,140	\$ 297,273	\$ 1,728,950
Liabilities:				
Current liabilities				
Accounts payable	\$ 565	\$ 613	\$ 268,439	\$ 269,617
Accrued payroll	4,306	1,904	4	6,214
Current portion of compensated absences payable	22,842	-	-	22,842
Current portion of leases payable	37,685	-	-	37,685
Current portion of loans payable	-	73,668	-	73,668
Total current liabilities	65,398	76,185	268,443	410,026
Noncurrent liabilities:				
Compensated absences payable	9,790	-	-	9,790
Leases payable	20,619	-	-	20,619
Loans payable	-	645,778	-	645,778
Total noncurrent liabilities	30,409	645,778	-	676,187
Total liabilities	\$ 95,807	\$ 721,963	\$ 268,443	\$ 1,086,213
Net Assets				
Invested in capital assets, net of related debt	\$ 19,558	\$ 622,217	\$ 12,446	\$ 654,221
Unrestricted	[26,828]	[1,040]	16,384	[11,484]
Total net assets	\$ [7,270]	\$ 621,177	\$ 28,830	\$ 642,737

See independent auditor's report on the financial statements.

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS

### COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS NONMAJOR PROPRIETARY FUNDS For the Year Ended December 31, 2010

	Rolling Hills Golf	Spin City Skating	Sanitation	Total Nonmajor Proprietary Funds
Operating revenues				
Charges for services	\$ 437,633	\$ 167,643	\$ 1,263,252	\$ 1,868,528
Miscellaneous	-	76,164	-	76,164
Total operating revenues	437,633	243,807	1,263,252	1,944,692
Operating expenses				
Personal services	260,753	108,019	-	368,772
Commodities	143,787	26,729	-	170,516
Contractual services	29,369	16,598	1,365,774	1,411,741
Depreciation	43,133	41,621	770	85,524
Total operating expenses	477,042	192,967	1,366,544	2,036,553
Operating income [loss]	[39,409]	50,840	[103,292]	[91,861]
Nonoperating revenues [expenses]				
Interest expense	[1,915]	[34,190]	-	[36,105]
Total nonoperating revenues [expenses]	[1,915]	[34,190]	-	[36,105]
Income [loss] before transfers	[41,324]	16,650	[103,292]	[127,966]
Transfers from [to] other funds				
Transfers in	26,000	15,000	-	41,000
Total transfers	26,000	15,000	-	41,000
Change in net assets	[15,324]	31,650	[103,292]	[86,966]
Net assets, January 1	8,054	589,527	132,122	729,703
Net assets, December 31	\$ [7,270]	\$ 621,177	\$ 28,830	\$ 642,737

See independent auditor's report on the financial statements.



# PRELIMINARY DRAFT

CITY OF JUNCTION CITY, KANSAS  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS  
For the Year Ended December 31, 2010

	Rolling Hills Golf	Spin City Skating	Sanitation	Total Nonmajor Proprietary Funds
Cash flows from operating activities				
Cash received from customers and users	\$ 437,633	\$ 167,829	\$ 1,349,594	\$ 1,955,056
Cash paid to suppliers of goods and services	[177,138]	[46,255]	[1,235,764]	[1,459,157]
Cash paid to employees	[246,230]	[106,646]	-	[352,876]
Other operating receipts	-	76,164	-	76,164
Net cash provided by [used in] operating activities	<u>14,265</u>	<u>91,092</u>	<u>113,830</u>	<u>219,187</u>
Cash flows from capital and related financing activities				
Interest payments	[1,915]	[35,018]	-	[36,933]
Principal payments - loans payable	[38,044]	[69,597]	-	[107,641]
Net cash provided by [used in] capital and related financing activities	<u>[39,959]</u>	<u>[104,615]</u>	<u>-</u>	<u>[144,574]</u>
Cash flows from noncapital financing activities				
Transfers in	<u>26,000</u>	<u>15,000</u>	<u>-</u>	<u>41,000</u>
Net decrease in cash and cash equivalent	306	1,477	113,830	115,613
Cash and cash equivalents, beginning	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
Cash and cash equivalents, ending	<u>\$ 806</u>	<u>\$ 1,477</u>	<u>\$ 113,830</u>	<u>\$ 116,113</u>

See independent auditor's report on the financial statements.

**PRELIMINARY  
DRAFT**

CITY OF JUNCTION CITY, KANSAS

COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS (Continued)  
For the Year Ended December 31, 2010

	Rolling Hills Golf	Spin City Skating	Sanitation	Total Nonmajor Proprietary Funds
Reconciliation of operating [loss] income to net cash provided by [used in] operating activities				
Operating income [loss]	\$ [39,409]	\$ 50,840	\$ [103,292]	\$ [91,861]
Net cash provided by [used in] operating activities				
Depreciation expense	43,133	41,621	770	85,524
[Increase] decrease in accounts receivable	-	186	86,342	86,528
Increase [decrease] in accounts payable	[3,982]	[2,928]	130,010	123,100
Increase [decrease] in accrued wages	681	1,373	-	2,054
Increase [decrease] in accrued compensated absences	<u>13,842</u>	<u>-</u>	<u>-</u>	<u>13,842</u>
Net cash provided by [used in] operating activities	<u>\$ 14,265</u>	<u>\$ 91,092</u>	<u>\$ 113,830</u>	<u>\$ 219,187</u>

See independent auditor's report on the financial statements.

# PRELIMINARY DRAFT

## Statistical Section (Unaudited)

This part of the City of Junction City's financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

### Contents

#### Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

#### Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

#### Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

#### Demographic and Economical Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

#### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report related to the services the City provides and the activities it performs.

*Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Financial Report for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.*

(UNAUDITED)

CITY OF JUNCTION CITY, KANSAS  
NET ASSETS BY COMPONENT  
LAST EIGHT FISCAL YEARS (1)  
(Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010
<u>Governmental Activities</u>								
Invested in capital assets, net of related debt	\$ 10,008,136	\$ 7,988,363	\$ 8,279,026	\$ 7,097,886	\$ 4,506,056	\$ [5,282,987]	\$ [46,755,055]	\$ [52,187,139]
Restricted	596,109	3,163,573	5,091,216	5,490,971	7,463,306	12,160,233	43,671,684	45,735,080
Unrestricted	879,516	1,348,088	[7,690,663]	[8,172,358]	[5,960,530]	[1,115,780]	955,894	3,481,307
Total governmental activities net assets	\$ 11,483,761	\$ 12,500,024	\$ 5,679,579	\$ 4,416,499	\$ 6,008,832	\$ 5,761,466	\$ [2,127,477]	\$ [2,970,752]
<u>Business-type activities</u>								
Invested in capital assets, net of related debt	\$ 11,024,079	\$ 10,895,924	\$ 10,820,847	\$ 11,481,933	\$ 11,613,184	\$ 18,203,507	\$ 51,968,838	\$ 51,460,342
Restricted	519,193	395,150	206,359	-	-	-	-	-
Unrestricted	622,406	509,676	208,177	[484,993]	[271,769]	[485,171]	[539,480]	1,070,137
Total business-type activities net assets	\$ 12,165,678	\$ 11,800,750	\$ 11,235,383	\$ 10,996,940	\$ 11,341,415	\$ 17,718,336	\$ 51,429,358	\$ 52,530,479
<u>Primary government</u>								
Invested in capital assets, net of related debt	\$ 21,032,215	\$ 18,884,287	\$ 19,099,873	\$ 18,579,819	\$ 16,119,240	\$ 12,920,520	\$ 5,213,783	\$ [726,797]
Restricted	1,115,302	3,558,723	5,297,575	5,490,971	7,463,306	12,160,233	43,671,684	45,735,080
Unrestricted	1,501,922	1,857,764	[7,482,486]	[8,657,351]	[6,232,299]	[1,600,951]	416,414	4,551,444
Total primary government net assets	\$ 23,649,439	\$ 24,300,774	\$ 16,914,962	\$ 15,413,439	\$ 17,350,247	\$ 23,479,802	\$ 49,301,881	\$ 49,559,727

Note (1): The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

PRELIMINARY  
DRAFT

# PRELIMINARY DRAFT

(UNAUDITED)

CITY OF JUNCTION CITY, KANSAS  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS (1)  
(Accrual Basis of Accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>								
<b>Governmental Activities</b>								
General government	\$ 4,210,218	\$ 5,138,247	\$ 11,839,659	\$ 7,293,604	\$ 6,842,828	\$ 11,965,528	\$ 6,181,566	\$ 5,078,582
Public safety	5,341,318	5,880,245	5,854,063	6,621,168	6,675,397	7,410,915	7,938,190	7,016,947
Public works	7,899,629	3,188,705	4,560,855	5,059,327	8,488,528	10,061,261	9,097,814	8,924,171
Culture and recreation	1,041,589	1,173,781	1,580,500	1,695,816	2,060,490	1,744,522	1,005,475	654,829
Economic Development	-	-	-	-	-	-	238,548	742,286
Public health and sanitation	-	-	-	-	-	-	-	1,134,918
Interest long term debt	-	-	-	-	-	-	6,210,775	5,721,931
Total governmental expenses	<u>18,492,754</u>	<u>15,380,978</u>	<u>23,835,077</u>	<u>20,669,915</u>	<u>24,067,243</u>	<u>31,182,226</u>	<u>30,672,368</u>	<u>29,273,664</u>
<b>Business-type activities</b>								
Water and sewer	3,989,317	5,574,030	5,843,858	5,900,823	6,509,210	6,489,970	7,640,329	7,210,683
Rolling hills golf	561,998	555,660	525,259	523,165	543,841	548,355	555,128	477,042
Sanitation	779,359	806,518	1,026,459	835,574	935,241	1,005,900	1,236,329	1,366,544
Internal Services	266,589	21,755	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	253,430	246,341
Spin City skating	-	-	-	-	-	230,156	233,779	192,967
Total business-type activities expenses	<u>5,597,263</u>	<u>6,957,963</u>	<u>7,395,576</u>	<u>7,259,562</u>	<u>7,988,292</u>	<u>8,274,381</u>	<u>9,918,995</u>	<u>9,493,577</u>
Total primary government expenses	<u>\$ 24,090,017</u>	<u>\$ 22,338,941</u>	<u>\$ 31,230,653</u>	<u>\$ 27,929,477</u>	<u>\$ 32,055,535</u>	<u>\$ 39,456,607</u>	<u>\$ 40,591,363</u>	<u>\$ 38,767,241</u>
<b>Program Revenues</b>								
<b>Governmental activities:</b>								
Charges for Service	\$ 3,374,872	\$ 1,339,348	\$ 1,549,052	\$ 2,988,074	\$ 2,828,266	\$ 2,144,822	\$ 2,083,131	\$ 2,505,036
Intergovernmental	1,029,484	965,626	754,690	934,385	499,115	484,660	-	-
Operating grants and contributions	358,431	521,115	941,948	472,904	363,903	2,335,515	3,627,056	1,669,496
Other	563,990	2,163,105	1,818,957	1,407,233	1,896,914	451,597	-	-
Capital grants and contributions	-	-	59,426	5,960	4,385,178	5,749,283	33,674,775	4,875,055
Total governmental activities program revenues	<u>5,326,777</u>	<u>4,989,194</u>	<u>5,124,073</u>	<u>5,808,556</u>	<u>9,973,376</u>	<u>11,165,877</u>	<u>39,384,962</u>	<u>9,049,587</u>
<b>Business-type activities:</b>								
Charges for service								
Water and sewer	5,107,888	5,574,030	5,271,541	6,112,332	6,918,957	6,948,085	7,154,180	7,857,651
Rolling hills golf	559,882	555,660	582,748	512,630	514,797	534,189	487,340	437,633
Sanitation	837,565	806,518	1,025,920	834,419	899,013	972,972	1,331,658	1,263,252
Storm water	-	-	-	-	-	-	464,447	722,161
Spin City skating	-	-	-	-	-	234,871	173,469	167,643
Capital grants and contributions	-	-	-	-	-	-	612,477	-
Total business-type activities prgrm revenues	<u>6,505,335</u>	<u>6,936,208</u>	<u>6,880,209</u>	<u>7,459,381</u>	<u>8,332,767</u>	<u>8,690,117</u>	<u>10,223,571</u>	<u>10,448,340</u>
Total primary government program revenues	<u>\$ 11,832,112</u>	<u>\$ 11,925,402</u>	<u>\$ 12,004,282</u>	<u>\$ 13,267,937</u>	<u>\$ 18,306,143</u>	<u>\$ 19,855,994</u>	<u>\$ 49,608,533</u>	<u>\$ 19,497,927</u>
<b>Net (Expense) Revenue</b>								
Governmental activities	\$ [13,165,977]	\$ [10,391,784]	\$ [18,711,004]	\$ [14,861,359]	\$ [14,093,867]	\$ [20,016,349]	\$ 8,712,594	\$ [20,224,077]
Business-type activities	908,072	[21,755]	[515,367]	199,819	344,475	415,736	304,576	954,763
Total primary government net expense	<u>\$ [12,257,905]</u>	<u>\$ [10,413,539]</u>	<u>\$ [19,226,371]</u>	<u>\$ [14,661,540]</u>	<u>\$ [13,749,392]</u>	<u>\$ [19,600,613]</u>	<u>\$ 9,017,170</u>	<u>\$ [19,269,314]</u>
<b>General Revenues and other Changes In Net Assets</b>								
<b>Governmental activities:</b>								
<b>Taxes</b>								
Property taxes	\$ 4,818,516	\$ 5,029,206	\$ 5,163,701	\$ 5,245,456	\$ 6,397,274	\$ 6,733,809	\$ 8,309,953	\$ 8,892,436
Sales taxes	3,884,092	4,434,424	4,523,234	5,581,003	5,911,908	6,109,101	6,194,501	6,790,642
Franchise taxes	1,202,226	1,225,289	1,316,876	1,388,710	1,527,318	1,667,953	1,700,570	1,807,406
Motor vehicle taxes	688,416	717,496	744,830	790,008	881,400	744,210	-	-
Payment in lieu of property tax	-	-	-	-	-	-	26,026	18,080
Investment earnings	25,474	20,239	91,918	154,840	-	-	78,974	487,162
Miscellaneous	-	-	-	-	-	-	15,575	1,226,273
Transfers	330,810	60,000	50,000	438,262	-	1,950,000	1,122,955	159,000
Total governmental activities	<u>10,949,534</u>	<u>11,486,654</u>	<u>11,890,559</u>	<u>13,598,279</u>	<u>14,717,900</u>	<u>17,205,073</u>	<u>17,448,554</u>	<u>19,380,999</u>
<b>Business-type activities</b>								
Miscellaneous	-	-	-	-	-	-	212	305,358
Transfers	[330,810]	[60,000]	[50,000]	[438,262]	-	[1,950,000]	[1,122,955]	[159,000]
Total business-type activities	<u>[330,810]</u>	<u>[60,000]</u>	<u>[50,000]</u>	<u>[438,262]</u>	<u>\$ -</u>	<u>[1,950,000]</u>	<u>[1,122,743]</u>	<u>146,358</u>
Total primary government	<u>\$ 10,618,724</u>	<u>\$ 11,426,654</u>	<u>\$ 11,840,559</u>	<u>\$ 13,160,017</u>	<u>\$ 14,717,900</u>	<u>\$ 15,255,073</u>	<u>\$ 16,325,811</u>	<u>\$ 19,527,357</u>
<b>Change in Net Assets</b>								
Governmental activities	\$ [2,216,443]	\$ 1,094,870	\$ [6,820,445]	\$ [1,263,080]	\$ 624,033	\$ [2,811,276]	\$ 26,161,148	\$ [843,078]
Business-type activities	577,262	[81,755]	[565,367]	[238,443]	344,475	[1,534,264]	[818,167]	1,101,121
Total primary government	<u>\$ [1,639,181]</u>	<u>\$ 1,013,115</u>	<u>\$ [7,385,812]</u>	<u>\$ [1,501,523]</u>	<u>\$ 968,508</u>	<u>\$ [4,345,540]</u>	<u>\$ 25,342,981</u>	<u>\$ 258,043</u>

Note (1): The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003

# PRELIMINARY DRAFT

(UNAUDITED)

CITY OF JUNCTION CITY, KANSAS  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>General Fund</u>										
Reserved	\$ 545,548	\$ 568,647	\$ 1,269,607	\$ 689,314	\$ 1,193,484	\$ 1,036,113	\$ 1,713,029	\$ 1,205,385	\$ -	\$ -
Unreserved	364,828	383,408	164,811	835,344	8,782	375,742	98,778	101,189	962,602	1,190,569
<u>Total general fund</u>	<u>\$ 910,376</u>	<u>\$ 952,055</u>	<u>\$ 1,434,418</u>	<u>\$ 1,524,658</u>	<u>\$ 1,202,266</u>	<u>\$ 1,411,855</u>	<u>\$ 1,811,807</u>	<u>\$ 1,306,574</u>	<u>\$ 962,602</u>	<u>\$ 1,190,569</u>
<u>All Other Governmental Funds</u>										
Reserved	\$ -	\$ -	\$ 359,723	\$ 108,522	\$ 125,697	\$ 5,571,794	\$ 9,358,890	\$ 951,261	\$ 463,353	\$ -
Unreserved, reported to:										
Special revenue funds	1,169,314	511,035	471,926	865,503	[448,754]	236,844	[3,149,811]	309,477	[828,373]	605,269
Capital projects funds	193,630	[138,225]	[3,912,478]	2,337,319	3,999,022	5,985,502	290,572	[5,207,298]	1,355,127	[925,046]
Debt service funds	-	3,675	[235,540]	218,418	[63]	460	963,655	435,817	-	2,050,646
<u>Total all other governmental funds</u>	<u>\$ 1,362,944</u>	<u>\$ 376,485</u>	<u>\$ [3,316,369]</u>	<u>\$ 3,529,762</u>	<u>\$ 3,675,902</u>	<u>\$ 11,794,600</u>	<u>\$ 7,463,306</u>	<u>\$ [3,510,743]</u>	<u>\$ 990,107</u>	<u>\$ 1,730,869</u>

CITY OF JUNCTION CITY, KANSAS  
CHANGE IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes	\$ 9,481,232	\$ 9,895,156	\$ 10,329,741	\$ 11,289,455	\$ 11,744,704	\$ 12,936,838	\$ 14,662,708	\$ 15,480,091	\$ 16,231,050	\$ 17,508,564
Licenses and permits	120,603	111,143	169,374	140,477	223,760	852,683	756,896	300,193	357,056	338,229
Intergovernmental	1,453,619	1,637,609	1,029,484	1,169,722	1,456,216	1,448,602	1,881,970	5,648,140	4,581,294	1,812,306
Charges for service	496,709	514,933	702,402	483,906	651,983	906,029	558,398	916,784	869,244	1,250,530
Fines and forfeitures	477,584	584,304	694,640	649,291	557,812	561,542	665,595	807,395	856,831	916,275
Special assessments	341,358	309,417	439,483	261,768	203,935	194,266	242,965	987,788	1,174,124	1,845,972
Use of money and property	81,247	50,906	25,474	20,239	91,918	154,840	968,300	65,441	78,974	487,162
Miscellaneous	1,106,562	493,343	2,159,833	2,970,434	1,058,314	1,646,183	1,469,300	1,901,684	847,308	1,226,273
<b>Total revenues</b>	<b>13,558,914</b>	<b>13,596,811</b>	<b>15,550,431</b>	<b>16,985,292</b>	<b>15,988,642</b>	<b>18,700,983</b>	<b>21,206,132</b>	<b>26,107,516</b>	<b>24,995,881</b>	<b>25,385,311</b>
<b>Expenditures</b>										
General government	3,394,853	3,214,382	4,435,616	4,618,841	11,657,238	5,783,577	6,504,762	6,046,231	5,867,437	4,751,387
Public safety	5,050,153	5,216,319	5,040,180	5,492,368	5,581,258	6,256,968	6,736,805	7,043,074	7,529,777	6,567,932
Public works	2,424,482	2,434,576	1,981,494	1,982,642	3,737,437	3,558,897	6,713,919	12,973,947	5,979,284	5,922,418
Public health and sanitation	-	-	-	-	-	-	-	-	-	1,134,918
Culture & recreation	1,028,119	1,144,423	1,002,981	1,146,865	1,574,390	1,634,571	2,048,855	1,676,106	937,124	580,603
Economic development	-	-	-	-	-	-	-	-	238,548	742,137
Capital outlay	757,740	532,248	5,040,509	5,030,315	4,914,922	46,116,740	45,032,503	11,295,030	10,950,068	953,775
Debt service principal	1,365,000	1,430,000	1,435,000	1,205,000	1,215,000	1,260,000	1,035,000	1,714,133	62,020,310	36,602,730
Debt service interest & fees	533,728	414,144	574,341	406,883	548,952	617,274	624,262	2,181,625	5,349,260	7,523,380
Bond issuance costs	-	-	-	-	-	-	-	297,051	888,425	-
<b>Total expenditures</b>	<b>14,554,075</b>	<b>14,386,092</b>	<b>19,510,121</b>	<b>19,882,914</b>	<b>29,229,197</b>	<b>65,228,027</b>	<b>68,696,106</b>	<b>43,227,197</b>	<b>99,760,233</b>	<b>64,779,280</b>
<b>Excess of revenues over (under) expenditures</b>	<b>[995,161]</b>	<b>[789,281]</b>	<b>[3,959,690]</b>	<b>[2,897,622]</b>	<b>[13,240,555]</b>	<b>[46,527,044]</b>	<b>[47,489,974]</b>	<b>[17,119,681]</b>	<b>[74,764,352]</b>	<b>[39,393,969]</b>
<b>Other Financing Sources (Uses)</b>										
Bonds issued	2,167,066	-	-	4,960,000	6,000,000	-	24,225,000	15,283,057	34,280,000	38,910,000
Capital Leases	-	-	-	-	-	-	-	-	671,138	-
Temporary note proceeds	-	-	-	808,739	6,000,000	52,345,000	60,940,000	57,690,000	33,525,000	-
Revolving loan fund proceeds	-	-	-	-	-	2,244,479	1,551,088	4,703,920	7,984,482	1,293,895
Certificate of participation proceeds	-	-	-	-	-	4,475,000	-	-	-	-
Payment to Refunded Bond	-	-	-	-	-	-	-	-	360,311	-
Loan repayments	-	-	-	-	-	[10,415,000]	[43,617,396]	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	15,575	-
Transfers in	91,758	133,600	738,348	60,000	50,000	448,262	-	1,950,000	6,673,895	232,000
Transfers out	[457,233]	[612,116]	[407,538]	-	-	[10,000]	-	-	[5,116,205]	[73,000]
<b>Total other financing sources (uses)</b>	<b>1,801,591</b>	<b>[478,516]</b>	<b>330,810</b>	<b>5,828,739</b>	<b>12,060,000</b>	<b>49,087,741</b>	<b>43,098,692</b>	<b>79,626,977</b>	<b>78,394,196</b>	<b>40,362,895</b>
<b>Net change in fund balances</b>	<b>\$ 806,430</b>	<b>\$ [1,267,797]</b>	<b>\$ [3,628,880]</b>	<b>\$ 2,931,117</b>	<b>\$ [1,190,555]</b>	<b>\$ 2,560,697</b>	<b>\$ [4,391,282]</b>	<b>\$ 62,507,296</b>	<b>\$ 3,629,844</b>	<b>\$ 968,926</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>13.76%</b>	<b>13.31%</b>	<b>13.89%</b>	<b>10.85%</b>	<b>7.25%</b>	<b>9.82%</b>	<b>7.01%</b>	<b>12.20%</b>	<b>75.86%</b>	<b>68.84%</b>

CITY OF JUNCTION CITY, KANSAS  
WATER PRODUCED AND CONSUMED AND WASTEWATER TREATED  
LAST TEN FISCAL YEARS

Fiscal Year	Gallons of Water Produced	Gallons of Water Consumed	Gallons of Water Unbilled	Average Percent Unbilled	Gallons of Wastewater Treated	Southwest Pit	Total Direct Rate					
							East Plant		Water		Sewer	
							Rate (1)	Usage Rate (2)	Usage Rate (3)	Base Rate (4)	Usage Rate (5)	
2001	n/a	1,151,552,000	180,332,000	n/a	n/a	n/a	\$ 9.15	\$ 1.10	\$ 1.40	\$ 12.00	\$ 0.80	
2002	1,187,470,000	n/a	n/a	n/a	555,072,000	200,684,000	\$ 9.15	\$ 1.10	\$ 1.40	\$ 12.00	\$ 0.80	
2003	1,159,360,000	1,105,475,000	174,995,000	15.09	511,104,000	220,271,000	\$ 9.50	\$ 1.15	\$ 1.45	\$ 22.00	\$ 0.90	
2004	1,159,360,000	1,110,068,000	209,859,000	18.10	511,104,000	220,271,000	\$ 9.50	\$ 1.15	\$ 1.45	\$ 22.00	\$ 0.90	
2005	1,275,905,000	1,246,479,000	81,748,000	6.41	511,104,000	220,271,000	\$ 10.12	\$ 1.23	\$ 1.55	\$ 22.00	\$ 0.90	
2006	1,133,636,000	1,187,666,000	242,621,000	21.40	514,292,000	245,718,000	\$ 10.53	\$ 1.28	\$ 1.61	\$ 22.00	\$ 0.90	
2007	1,411,572,000	1,119,829,000	291,743,000	20.67	514,292,000	245,718,000	\$ 10.78	\$ 1.31	\$ 1.64	\$ 22.00	\$ 0.90	
2008	1,374,244,000	1,035,790,000	338,454,000	24.63	535,010,000	248,662,000	\$ 11.38	\$ 1.38	\$ 1.73	\$ 22.00	\$ 0.90	
2009	1,314,941,000	713,063,000	241,933,000	18.40	620,500,000	248,820,000	\$ 11.38	\$ 1.38	\$ 1.73	\$ 22.00	\$ 0.90	
2010	1,503,161,000	1,502,905,925	255,075,000	16.97	683,645,000	271,925,000	\$ 11.38	\$ 1.39	\$ 1.75	\$ 22.00	\$ 0.90	
2010							\$ 23.51	\$ 1.29	\$ 1.75	\$ 22.00	\$ 0.90	

- (1) Water rate is for 1" or less size meter and includes 200 cubic feet of water consumption
- (2) Water rate for over 200 cubic feet but not more than 1,000 cubic feet of water consumption
- (3) Water rate for above 1,000 cubic feet of water consumption and above
- (4) Sewer Base Rate includes the first 200 cubic feet of water consumption
- (5) Sewer usage rate is for usage over 200 cubic feet - charge per 100 cubic feet

Source: City of Junction City Water and Wastewater Use Reports

n/a - information is not available



(UNAUDITED)

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CITY OF JUNCTION CITY, KANSAS  
ANNUAL WATER AND WASTEWATER TAP SALES  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Water Meter Taps Sold</u>	<u>Wastewater Taps Sold</u>	<u>Total Taps</u>
2001	n/a	n/a	n/a
2002	n/a	n/a	n/a
2003	n/a	n/a	n/a
2004	n/a	n/a	n/a
2005	n/a	n/a	n/a
2006	n/a	n/a	n/a
2007	n/a	n/a	n/a
2008	n/a	n/a	n/a
2009	127	123	250
2010	126	125	251

Source: City of Junction City Utility Department  
n/a - information is not available

**PRELIMINARY  
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(UNAUDITED)

CITY OF JUNCTION CITY, KANSAS  
NUMBER OF WATER AND SEWER CUSTOMERS BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	WATER		WASTEWATER		TOTAL	
	RESIDENTIAL	COMMERCIAL	RESIDENTIAL	COMMERCIAL	WATER	WASTEWATER
2001	7,358	641	7,358	641	7,999	7,999
2002	7,471	643	7,471	643	8,114	8,114
2003	6,416	641	6,416	641	7,057	7,057
2004	6,248	656	6,248	656	6,904	6,904
2005	6,181	629	6,181	629	6,810	6,810
2006	6,734	680	6,734	680	7,414	7,414
2007	7,740	780	7,740	780	8,520	8,520
2008	8,195	742	8,195	742	8,937	8,937
2009	9,123	693	9,123	693	9,816	9,816
2010	8,810	782	8,547	667	9,592	9,214

74 Source: City of Junction City Utility Department

CITY OF JUNCTION CITY, KANSAS  
 WATER AND SEWER RATES  
 LAST TEN FISCAL YEARS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
<u>WATER</u> - (per month inside or outside city limits (1))										
1. Minimum charge, Not in excess of 200 cubic feet 1" meter or less	\$ 9.15	\$ 9.15	\$ 9.50	\$ 9.50	\$ 10.12	\$ 10.53	\$ 10.78	\$ 11.38	\$ 11.38	\$ 23.51
2. Minimum charge, Not in excess of 200 cubic feet Over 1" and up to and including 1.5" meters	\$ 74.50	\$ 74.50	\$ 76.75	\$ 76.75	\$ 81.82	\$ 85.17	\$ 87.21	\$ 92.09	\$ 92.09	\$ 105.19
3. Minimum charge, Not in excess of 200 cubic feet Over 1.5" and up to and including 2" meters	\$ 150.00	\$ 150.00	\$ 155.00	\$ 155.00	\$ 165.24	\$ 172.01	\$ 176.13	\$ 185.99	\$ 185.99	\$ 200.22
4. Minimum charge, Not in excess of 200 cubic feet Over 2" and up to and including 3" meters	\$ 220.00	\$ 220.00	\$ 230.75	\$ 230.75	\$ 246.00	\$ 256.08	\$ 262.22	\$ 276.90	\$ 276.90	\$ 292.22
5. Minimum charge, Not in excess of 200 cubic feet Over 3" and up to and including 4" meters	\$ 298.00	\$ 298.00	\$ 307.00	\$ 307.00	\$ 327.28	\$ 340.69	\$ 348.86	\$ 368.39	\$ 368.39	\$ 384.81
6. Minimum charge, Not in excess of 200 cubic feet 4" meter and over	\$ 372.00	\$ 372.00	\$ 385.00	\$ 385.00	\$ 412.50	\$ 429.41	\$ 439.71	\$ 464.33	\$ 464.33	\$ 481.90
7. 300 cubic feet to 1,000 cubic feet, per 100 cubic feet	\$ 1.10	\$ 1.10	\$ 1.15	\$ 1.15	\$ 1.23	\$ 1.28	\$ 1.31	\$ 1.38	\$ 1.38	\$ 1.39
8. All above 1,000 cubic feet, per 100 cubic feet	\$ 1.40	\$ 1.40	\$ 1.45	\$ 1.45	\$ 1.55	\$ 1.61	\$ 1.64	\$ 1.73	\$ 1.73	\$ 1.75
<u>WASTEWATER</u> - rates per month (2)										
1. Minimum charge, not in excess of 200 cubic feet	\$ 12.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 29.00
2. 300 cubic feet and above, per 100 cubic feet	\$ 0.80	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90
3. For users contributing wastewater which is greater strength than normal domestic sewage, the following surcharge is added: \$.16 per pound BOD (biological oxygen demand) \$.018 per pound SS (suspended solids) \$.104 per pound BOD (biological oxygen demand) \$.117 per pound SS (suspended solids)										
<u>STORMWATER</u> - rates per month (3)										
1. Developed residential assessment per living unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5.00
2. For each living unit served by more than one water meter, \$3.00 per month per add. Meter	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3.00
3. Undeveloped residential property per month per lot or tract	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3.00

(1) Starting in 2003, water rates automatically adjust in August of each fiscal year based on the preceding 12 months consumer price index  
 (2) Residential users are billed based on average monthly water usage during the months of December and January. Commercial users are billed based on water consumption each month  
 (3) Storm water utility became effective in 2009

\*Two rate changes in 2010, last rate increase beginning 9/10/10 to 12/31/10.

Source: City of Junction City Utility Department

(UNAUDITED)

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS TEN LARGEST UTILITY CUSTOMERS CURRENT YEAR AND NINE YEARS AGO

Customer	Fiscal Year 2010				
	Water Revenue		Sewer Revenue		
	Amount	Percent	Amount	Percent	
Amour Swift-Eckrich	\$ 218,668.61	5.96%	Amour Swift-Eckrich	\$ 262,153.57	7.10%
Grandview Plaza	\$ 112,256.86	3.06%	USD 475	\$ 10,750.90	0.29%
Gearly Community Hospital	\$ 46,683.29	1.27%	Penny Crete	\$ 7,610.80	0.21%
USD 475	\$ 24,625.61	0.67%	HRRS Enterprises - Hotel	\$ 6,227.50	0.17%
Green Park Apartments	\$ 22,016.06	0.60%	Penn Enterprises	\$ 5,449.90	0.15%
Rural Water District #1	\$ 20,047.56	0.55%	Cedar Point Car Wash	\$ 4,668.70	0.12%
HRRS Enterprises	\$ 14,816.91	0.40%	Windgarden & Hammor	\$ 3,901.90	0.10%
Penn Enterprises	\$ 14,418.91	0.39%	Abbott Management	\$ 3,745.30	0.10%
Cedar Point Carwash	\$ 10,704.20	0.29%	Sotaya Hospitality	\$ 3,646.30	0.10%
Cottonwood Estates	\$ 10,300.74	0.28%	Holiday Inn Express	\$ 3,496.00	0.10%
Subtotal (10 largest)	\$ 494,538.75	13.47%	Subtotal (10 largest)	\$ 311,650.87	8.44%
Balance from other customers	\$ 3,177,053.38	86.53%	Balance from other customers	\$ 3,380,743.26	91.56%
Grand Total	\$ 3,671,592.13	100.00%	Grand Total	\$ 3,692,394.13	100.00%

Note; Information from nine years ago is not available.

CITY OF JUNCTION CITY, KANSAS  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN TAX YEARS

Fiscal Year	Real Estate	Personal Property	Utilities	Assessed Value	Total		Assessed to Total Estimated Actual Value
					Direct Tax Rate	Estimated Actual Value	
2001	\$ 63,659,955	\$12,204,729	\$ 4,876,588	\$ 75,570,764	56.414	\$ 471,102,199	16.04%
2002	66,654,515	13,330,688	4,757,967	79,985,203	56.329	500,363,177	15.99%
2003	68,796,298	14,530,340	5,500,224	83,326,638	56.049	516,912,289	16.12%
2004	72,566,594	15,712,493	5,777,316	88,279,087	55.795	544,041,254	16.23%
2005	81,806,992	16,073,151	5,512,528	97,880,143	55.361	606,672,450	16.13%
2006	101,512,552	11,631,295	5,529,418	113,143,847	47.736	760,985,936	14.87%
2007	127,455,177	8,231,124	5,826,100	141,512,401	47.394	937,330,169	15.10%
2008	147,537,742	7,919,079	5,843,324	163,662,593	48.272	1,099,775,885	14.88%
2009	150,132,743	6,036,910	5,364,037	165,026,671	48.474	1,112,580,891	14.83%
2010	156,333,878	5,341,390	5,329,524	167,004,792	48.282	1,128,182,386	14.80%

Source: Geary County Clerk

Note: Does not include penalty amounts.

Detailed information on Utilities and Tax Exempt property is not available for the years 2001 and prior.

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(UNAUDITED)

(UNAUDITED)

# PRELIMINARY DRAFT

CITY OF JUNCTION CITY, KANSAS  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
(PER \$1,000 OF ASSESSED VALUATION)  
LAST TEN TAX YEARS

<u>Fiscal Year</u>	<u>City Direct Rates</u>				<u>USD</u>	<u>Geary County</u>	<u>State of Kansas</u>	<u>Total</u>
	<u>Basic Rate</u>	<u>Debt Service</u>	<u>Library</u>	<u>Total Direct Rate</u>				
2001				56.414	38.795	51.941	1.500	148.650
2002	34.277	17.612	4.440	56.329	39.479	53.136	1.500	150.444
2003	37.672	14.123	4.254	56.049	35.848	54.691	1.500	148.088
2004	36.966	14.248	4.581	55.795	40.177	53.714	1.500	151.186
2005	36.166	15.001	4.194	55.361	38.982	56.128	1.500	151.971
2006	29.692	13.980	4.064	47.736	46.524	55.741	15.000	165.001
2007	38.653	14.961	3.780	47.394	44.695	50.468	1.500	144.057
2008	27.911	17.032	3.329	48.272	43.261	46.663	1.500	139.696
2009	24.314	20.494	3.666	48.474	45.566	49.598	1.500	145.138
2010	26.840	16.750	4.708	48.282	45.445	53.126	1.500	148.353

Source: Geary County Clerk

CITY OF JUNCTION CITY, KANSAS  
 PRINCIPAL PROPERTY TAXPAYERS  
 DECEMBER 31, 2010 AND NINE YEARS AGO

(UNAUDITED)

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2010		2001	
Rank	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
1	F. W. Woolworth Co.	\$ 3,000,000	1.80%
2	Amour Eckrich Acquisitions	2,625,651	1.57%
3	Westar Energy Inc.	2,412,804	1.45%
4	John Q Hammons	2,375,000	1.42%
5	Wal-Mart Real Estate	1,932,964	1.16%
6	Patriot Group LLC	1,704,139	1.02%
7	Kansas Gas Service	1,452,806	0.87%
8	Bluejay Properties	1,392,472	0.83%
9	Big D Development LLC	453,250	0.27%
10	Fort Development	368,461	0.22%
Total Taxable Assessed Value in 2010		\$ 167,004,792	
Total Taxable Assessed Value in 2001		\$ 75,570,764	

Source: Geary County Clerk

**CITY OF JUNCTION CITY, KANSAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN YEARS**

<u>Year</u>	<u>*Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percent of Current Tax Levy</u>	<u>Outstanding Delinquent Tax</u>	<u>Outstanding Delinquent Taxes as a Percent of Current Levy</u>
2001	\$ 4,185,584	\$ 3,935,347	94.02%	\$ 79,713	\$ 4,015,060	95.93%	\$ 229,188	5.48%
2002	4,272,008	4,121,198	96.47%	98,201	4,219,399	98.77%	151,472	3.55%
2003	4,491,713	4,282,971	95.35%	80,132	4,363,103	97.14%	173,739	3.87%
2004	4,928,613	4,746,812	96.33%	113,812	4,860,624	98.64%	142,958	2.90%
2005	5,394,099	4,841,053	89.75%	156,273	4,997,326	92.64%	553,046	10.25%
2006	5,672,511	4,942,823	87.14%	240,065	5,182,888	91.37%	250,123	4.41%
2007	6,678,742	6,411,588	96.00%	131,510	6,543,098	97.97%	267,154	4.00%
2008	7,907,276	4,251,588	53.77%	-	4,251,588	53.77%	-	0.00%
2009	7,946,869	7,434,184	93.55%	206,332	7,640,516	96.14%	443,429	5.58%
2010	8,043,116	7,656,317	95.19%	142,132	7,798,449	96.96%	737,198	9.17%

Source: Gear County Treasurer

\*Total tax levied includes adds and abates



CITY OF JUNCTION CITY, KANSAS  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities					Business-type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Debt	KDOT Revolving Loans	Capital Lease Obligations	Temporary Notes	General Obligation Bonds	Revenue Bonds	K.D.H.E. Revolving Loan	Notes Payable	Capital Lease Obligations			
2001	\$ 9,490,000	\$ -	\$ -	\$ 657,715	\$ -	\$ -	\$ 9,270,000	\$ 3,372,155	\$ -	\$ 921,775	\$ 23,711,645	3.59%	\$ 1,297
2002	8,060,000	-	-	501,214	-	-	8,820,000	3,923,704	-	772,877	22,077,795	3.34%	1,241
2003	11,130,000	-	-	543,612	3,690,000	-	8,350,000	3,781,220	-	322,797	27,817,629	4.21%	1,589
2004	14,885,000	-	-	735,437	4,265,000	-	-	3,706,886	-	118,365	31,570,688	4.78%	1,876
2005	19,670,000	-	-	1,386,708	10,415,000	7,860,000	-	5,235,726	-	563,394	44,620,828	6.76%	2,720
2006	18,410,000	-	2,244,479	52,345,000	6,104,010	6,815,000	-	7,995,841	-	473,465	94,387,795	14.30%	5,860
2007	41,270,000	-	3,394,389	65,840,000	6,002,444	10,465,000	-	8,415,417	-	525,813	135,913,063	20.59%	6,776
2008	53,762,000	-	7,866,803	57,690,000	5,728,874	11,835,000	-	8,028,480	-	912,547	145,823,704	22.09%	7,055
2009	41,251,463	45,022,874	14,941,048	5,837,604	32,435,000	11,730,000	-	7,902,304	789,870	306,703	160,216,866	25.60%	7,979
2010	78,537,972	43,757,923	15,265,655	5,104,950	-	10,875,000	-	7,740,887	719,446	245,408	162,247,241	25.60%	6,948

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CITY OF JUNCTION CITY, KANSAS  
LEGAL DEBT MARGIN INFORMATION (4)  
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Valuation (1)	\$ 183,533,723
Legal Debt Limit (2)	<u>40%</u>
Legal Debt Limit	\$ 73,413,489
Outstanding GO Debt Applicable to Debt Limit	<u>\$ 68,910,263</u>
Legal debt margin	<u>\$ 4,503,226</u>

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$26,179,946	\$26,179,946	\$29,106,095	\$30,593,679	\$44,623,887	\$53,417,960	\$62,944,863	\$71,965,169	\$72,748,236	\$73,413,489
Total net debt applicable to limit	\$6,542,599	\$6,542,599	\$8,895,597	\$18,105,597	\$25,471,994	\$36,300,716	\$61,201,498	\$63,801,157	\$71,009,486	\$68,910,263
Legal debt margin	\$19,637,347	\$19,637,347	\$20,210,498	\$12,488,082	\$19,151,893	\$17,117,244	\$1,743,355	\$8,164,012	\$1,738,750	\$4,503,226

88 Total net debt applicable to the limit as a percentage of debt limit

- (1) Includes motor vehicle valuation
- (2) Debt limit is set at 30% of assessed valuation per state statute.
- (3) Debt limit was raised to 40% of assessed valuation per state statute for the City of Junction City by the legislature in 2009.
- (4) Information provided by George K Baum & Company

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CITY OF JUNCTION CITY, KANSAS  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Less Amount Available In Debt Service Fund	Total	Actual Taxable Value of Property		Percentage of Actual Taxable Value of Property		Per Capita
				Value of Property	Value of Property	Value of Property	Value of Property	
2001	\$ 9,490,000	\$ -	\$ 9,490,000	\$ 75,864,684	12.51%	\$ 502.57		
2002	8,060,000	3,675	8,056,325	79,650,933	10.11%	426.64		
2003	11,130,000	6,352	11,123,648	83,326,683	13.35%	589.08		
2004	14,885,000	218,418	14,666,582	88,279,087	16.61%	776.71		
2005	19,670,000	131,042	19,538,958	97,880,143	19.96%	1,034.74		
2006	18,410,000	460	18,409,540	118,673,671	15.51%	1,143.02		
2007	41,270,000	963,655	40,306,345	141,512,401	28.48%	2,009.39		
2008	53,762,000	435,817	53,326,183	163,662,593	32.58%	2,579.76		
2009	52,981,463	-	52,981,463	165,153,442	29.13%	3,237.86		
2010	89,412,972	-	89,412,972	167,004,792	53.54%	\$3,828.76		

(UNAUDITED)

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CITY OF JUNCTION CITY, KANSAS  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2010

<u>Government Unit:</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Geary County	\$ 33,440,000	87%	\$ 22,404,800
U.S.D. #475 School District	<u>32,290,000</u>	87%	<u>21,634,300</u>
Total Estimated Overlapping Debt	65,730,000		44,039,100
<b>DIRECT DEBT</b>			
City of Junction City	<u>156,896,883</u>	100%	<u>156,896,883</u>
<b>DIRECT &amp; ESTIMATED OVERLAPPING DEBT</b>	<u>\$ 222,626,883</u>		<u>\$ 200,935,983</u>

Source: Office of Geary County Clerk

(1) Information represents the share of the respective debt which are obligations of the citizens of Junction City.

**PRELIMINARY  
DRAFT**

(UNAUDITED)

CITY OF JUNCTION CITY, KANSAS  
PLEDGED REVENUE COVERAGE  
AS OF DECEMBER 31, 2010

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal & Interest	Coverage
2001	n/a	n/a	n/a	n/a	n/a
2002	n/a	n/a	n/a	n/a	n/a
2003	\$ 5,107,888	\$ 3,833,889	\$ 1,273,999	\$ 1,055,990	121%
2004	n/a	n/a	n/a	n/a	n/a
2005	\$ 5,824,026	\$ 4,729,261	\$ 1,094,765	\$ 1,262,284	87%
2006	\$ 6,112,332	\$ 4,062,138	\$ 2,050,194	\$ 1,379,923	149%
2007	\$ 7,152,798	\$ 5,110,181	\$ 2,042,617	\$ 1,448,373	141%
2008	\$ 6,939,622	\$ 4,427,980	\$ 2,511,642	\$ 1,608,536	156%
2009	\$ 7,665,298	\$ 6,131,616	\$ 1,533,682	\$ 1,915,830	80%
2010	\$ 8,009,136	\$ 7,712,856	\$ 1,974,702	\$ 1,678,422	118%

n/a - information is not available

**PRELIMINARY  
DRAFT**

(UNAUDITED)

CITY OF JUNCTION CITY, KANSAS  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Income (3)	Public School		Unemployment Rate (5)	Median Age (6)
				Enrollment (4)	School		
2001	18,287	\$ 688,078,000	\$ 24,587	6,013	n/a	5.6	n/a
2002	17,785	\$ 704,083,000	\$ 25,015	6,085	n/a	6.5	n/a
2003	17,502	\$ 736,018,000	\$ 25,729	6,012	n/a	6.4	n/a
2004	16,828	\$ 795,201,000	\$ 28,269	6,063	n/a	6.9	n/a
2005	16,402	\$ 852,544,000	\$ 29,485	6,426	n/a	6.2	n/a
2006	16,106	\$ 969,245,000	\$ 32,917	6,441	29.0	4.9	29.0
2007	20,059	\$ 1,090,335,000	\$ 36,912	6,784	n/a	3.9	n/a
2008	20,671	n/a	\$ 41,504	7,048	n/a	4.4	n/a
2009	21,931	n/a	n/a	6,983	n/a	3.4	30.4
2010	23,353	n/a	n/a	7,868	n/a	7.9	n/a

86 (1) U.S. Department of Commerce, Bureau of Census

(2) Kansas Department of Labor information for Geary County

(3) Bureau of Economic Analysis, Bureau of Census represents Geary County

(4) Unified School District #475, Geary County

(5) Kansas Department of Human Resources, Labor Market Information Services. Rate is expressed for Geary County. Junction City's population accounts for 67% of the total Geary County population

(6) Kansas Statistical Abstract

CITY OF JUNCTION CITY, KANSAS  
PRINCIPAL EMPLOYERS (1)  
CURRENT YEAR AND NINE YEARS AGO

	2010		2000	
	Estimated Number of Employees	Percentage Total County Employment	Estimated Number of Employees	Percentage Total County Employment
Fort Riley Civil Service (2)			3,451	na
Dept. of Army appropriated fund employees	2,862			
Other federal employees	393			
Non-appropriated fund	578			
Other civilian employees (including contractors)	4,504	33.7%	na	na
U.S.D. #475 School District	1,235	9.2%	912	7.80%
Footlocker Distribution Center	867	6.5%	1047	8.96%
Amour Eckrich	615	4.6%	240	2.05%
Geary Community Hospital	461	3.4%	365	3.12%
Wal-Mart	350	2.6%	0	0
Geary County	192	1.4%	130	1.11%
City of Junction City	165	1.2%	229	1.96%
Kaw Valley Engineering	150	1.1%	48	0.41%
Valley View Senior Life	130	1.0%	na	na
Century Link	130	1.0%	na	na

(1) Information Provided by Junction City/Geary County Economic Development as of 6/20/2010, Percentage of Total City employment is based on Geary County total only.

(2) Information provided by Fort Riley, United States Army Garrison, Fort Riley spans two counties, Geary and Riley

n/a - information is not available

# PRELIMINARY DRAFT

(UNAUDITED)

CITY OF JUNCTION CITY, KANSAS  
FULL-TIME EMPLOYEES BY DEPARTMENT  
LAST TEN FISCAL YEARS

	2001		2002		2003		2004		2005		2006		2007		2008		2009		2010*		
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
<u>Governmental Activities:</u>																					
General Government																					
General Administration	7	3.25	6	2.97	2.5	1.51	3.5	2.12	3.5	2.05	5	2.50	6	2.99	7	3.30	6	2.72	9	5.59	
Human Resources	4	1.86	5	2.48	7.5	4.52	5.5	3.33	6.5	3.81	11	5.25	7.5	3.73	4.5	2.12	4.5	2.04	0	0.00	
Information Services	0	0	0	0	0	0	0	0	0	0	5	2.5	5	2.49	4	1.89	4	1.81	2	1.24	
Economic Development	3	1.39	4	1.98	3	1.81	3	1.82	3	1.76	3	1.50	3	1.49	3	1.42	3	1.36	2	1.24	
Public Safety																					
Police Department	82	37.82	68.5	33.91	69	41.27	70.5	42.73	72.5	42.52	73	36.50	74	36.82	77	36.32	72	32.65	66	40.99	
Fire/EMS Department	49	22.74	48	23.76	48	28.92	44	26.67	44	25.81	48	24.00	49	24.38	51	24.06	56	25.40	53	32.92	
Codes/Inspection	5	2.32	5	2.48	5	3.01	4	2.42	3	1.76	7	3.50	7	3.48	7	3.30	5	2.27	5	1.55	
Public Works																					
Engineering	4	1.86	4	1.98	4	2.41	4	2.42	4	2.35	6.5	3.25	3	1.49	2	0.94	2	0.91	2.5	1.55	
Self Help Housing	0	0	0	0	0	0	3	1.82	3	1.76	3	1.5	3	1.49	3.5	1.65	3	1.36	3	1.86	
Streets (1)	33	15.31	33	16.34	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	
Culture & Recreation																					
Recreation	10	4.64	12	5.94	12	7.23	12	7.27	12	7.04	15	7.50	9.5	4.73	13.5	6.37	13.5	6.12	1	0.62	
Junction City Arts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0.94	2	0.91	0	0.00	
Spin City	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12	5.44	
Rolling Meadows Golf Course	12	5.57	11.5	5.69	12	6.93	11.5	6.97	11.5	6.74	13	6.50	13	6.47	17.5	8.25	17.5	7.94	5	3.11	
Total for Gov't-type Activities	209	96.75	197	97.52	162	97.59	161	97.58	163	95.60	189	94.50	180	89.55	192	90.57	201	90.93	147	91.3	
Business-type Activities																					
Water/Sewer	7	3.25	5	2.48	4	2.41	4	2.42	7.5	4.40	11	5.50	21	10.45	20	9.43	20	9.07	14	8.70	
Total Business-type Activities	7	3.25	5	2.48	4	2.41	4	2.42	7.5	4.40	11	5.50	21	10.45	20	9.43	20	9.07	14	8.7	
Total Full-time Employees	216		202		166		165		171		200		201		212		221		161		

(1) In 2003, the City's 33 street employees became employees of Veolia Water, the contractor for the City's public works operations, water and wastewater plants.

\*Previous years include full and part-time employees. 2010 is full-time employees only.



CITY OF JUNCTION CITY, KANSAS  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

Function/Program:	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>General Government</u>										
Building Permits Issued	24	28	46	65	146	848	1034	348	1209	1042
Building Inspections Conducted	n/a	n/a	n/a	n/a	1748	11415	16712	13547	8322	7987
<u>Police</u>										
Physical Arrests	na	na	na	1806	1644	1662	1797	2069	2086	2321
Traffic Violations	8919	9860	11325	9621	8361	9142	9101	10848	7332	7867
<u>Fire</u>										
Fire Calls	657	636	595	741	805	1014	1079	1235	1736	1693
Emergency Medical Service Calls	1884	1834	1708	1870	1951	2245	2402	2726	2705	2627
<u>Parks &amp; Recreation</u>										
Golf course (Rounds of Golf)	25974	28056	26818	25652	23478	24156	21680	21513	21575	17567
Golf course (Rounds per Special Events)	2308	1692	2800	2102	1929	1743	2341	1763	2198	2160
<u>Water</u>										
Average daily consumption (gallons x 1,000)	2,223,111	3,250,000	3,180,000	3,040,000	2,880,000	3,110,000	3,000,000	2,860,000	2,939,748	3,419,414
Peak daily consumption (gallons x 1000)	5,218,000	5,292,000	5,292,000	4,252,000	4,266,000	5,135,000	4,988,000	4,516,000	4,358,000	5,734,000
<u>Wastewater</u>										
East Plant Average daily sewage treatment (gallons)	n/a	n/a	n/a	n/a	n/a	1,366,000	1,421,000	1,462,000	1,493,000	1,873,000
SW Plant Average daily sewage treatment (gallons)	n/a	n/a	n/a	739000	682,000	673,000	717,000	672,000	689,000	745,000

**PRELIMINARY  
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n/a - information is not available

CITY OF JUNCTION CITY, KANSAS  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

Function/Program:	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Police</u>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	7	7	7	7	7	7	7	7	7	7
<u>Fire Stations</u>										
Fire Stations	2	2	2	2	2	2	2	2	2	2
<u>Public Works</u>										
Streets (miles)	87.4	87.4	87.4	87.4	87.4	87.4	124	124	149	149
Streetlights	1,326	1,326	1,326	1,326	1,326	1,438	1,438	1,438	1,615	1,615
Traffic Signals	13	13	13	13	13	13	15	15	15	19
<u>Parks &amp; Recreation</u>										
Public Parks	16	16	16	16	16	17	17	18	18	18
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Golf Courses	1	1	1	1	1	1	1	1	1	1
Baseball/Softball Fields	5/6	5/6	5/6	5/6	5/6	5/6	5/6	5/6	5/6	5/6
Tennis Courts	7	7	7	7	7	7	7	7	7	7
Community Centers	2	2	2	2	2	2	2	2	2	1*
Spin City Recreation Complex			1	1	1	1	1	1	1	1
<u>Water</u>										
Water mains (miles)	84	84	84	84	113.1	113.1	123.3	123.3	123.3	123.3
Storage capacity (gallons)	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
<u>Wastewater</u>										
Sanitary sewers (miles)	74.1	74.1	74.1	74.1	93.2	102.5	102.5	107	107	107
Treatment daily capacity (gallons)	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
<u>Storm water</u>										
Storm sewers (miles)	12	12	12	12	13	13	13	13	14.2	14.2

Source: City of Junction City, Kansas Departments  
\*Summer Fun Club Building is no longer used.

**PRELIMINARY  
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(UNAUDITED)

**PRELIMINARY  
DRAFT**

CITY OF JUNCTION CITY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
<u>Department of Housing and Urban Development</u>		
Passed through the Kansas Housing Resource Corporation		
Emergency Shelter Grants Program	14.231	\$ 27,393
Self-Help Homeownership Opportunity Program	14.247	123,825
Total Department of Housing and Urban Development		151,218
<u>U.S Department of Justice</u>		
Bullet-Proof Vest Partnership Program	16.607	3,900
COPS Technology	16.710	138,377
Edward Byrne Memorial Justice Assistance Grant - ARRA	16.804	52,424
Total U.S. Department of Justice		194,701
<u>U.S. Department of Transportation</u>		
Airport Improvement Program	20.106	38,788
Passed through the Kansas Department of Transportation		
Highway Safety Cluster	20.601	6,083
Total U.S. Department of Transportation		44,871
<u>U.S Department of Homeland Security</u>		
Staffing of Adequate Fire and Emergency Response (SAFER)	97.083	127,572
Total Department of Homeland Security		127,572
<u>Environmental Protection Agency</u>		
Passed through Department of Health and Environment		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	195,539
Total Environmental Protection Agency		195,539
Total Expenditures of Federal Awards		\$ 713,901

See independent auditor's report on the financial statements and notes to the schedule of expenditures of federal awards.

**PRELIMINARY  
DRAFT**

CITY OF JUNCTION CITY, KANSAS

NOTES TO 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 Junction City, Kansas. All expenditures of federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF JUNCTION CITY, KANSAS

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2010

Section I - Summary of Auditor's Results

Financial Statements

Unqualified - primary government  
Disclaimer - aggregate discretely  
presented component units

Type of auditor's report issued:

Internal control over financial reporting:

Material weakness(es) identified?  X  Yes   No

Significant deficiency (ies) identified that are not  
considered to be material weaknesses?  X  Yes   No

Noncompliance material to financial statements noted?   Yes  X  No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?  X  Yes   No

Significant deficiency (ies) identified that are not  
considered to be material weaknesses?  X  Yes   None reported

Type of auditor's report issued on compliance for major programs:  Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with section 510(a)  
of Circular A-133?  X  Yes   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.710	COPS Technology
97.083	Staffing of Adequate Fire & Emergency Response
66.468	Capitalization Grants for Drinking Water

Dollar threshold used to distinguish between  
type A and type B programs:  \$300,000

Auditee qualified as low-risk auditee?  X  Yes   No

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, 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>
N/A	2010-1	The City's internal controls in place during the year were not designed and implemented in a manner that provided for the safeguarding of assets, execution of transactions in accordance with management's authorization, and preparation of financial statements in accordance with GAAP. The City also had inadequate segregation of duties in several difference cycles, and bank reconciliations and journal entries were not reviewed by an employee other than the preparer.	Management of the City is responsible for establishing and maintaining a system of internal controls. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

##### Prior Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>
N/A	2009-1	The City's internal controls in place during the year were not designed and implemented in a manner that provided for the safeguarding of assets, execution of transactions in accordance with management's authorization, and preparation of financial statements in accordance with GAAP. The City did not have a finance director during the year, and the accounting staff of the City did not have an adequate knowledge of GAAP or internal control. The City also had inadequate segregation of duties in several difference cycles, and bank reconciliations and journal entries were not reviewed by an employee other than the preparer.	Management of the City is responsible for establishing and maintaining a system of internal controls. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

**PRELIMINARY  
DRAFT**

Questioned Costs

N/A

Recommendation

We recommend that the City continue to establish an internal control structure such that management is provided with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

Management Response

The City has hired a Finance Director to provide financial oversight of all funds and ensure compliance with accounting policies as per adopted accounting principles. In addition, a new set of accounting policies has been drafted and implementation is in process to provide additional oversight and compliance.

Questioned Costs

N/A

Recommendation

We understand that the City has hired a finance director subsequent to year end. We recommend that the City continue to establish an internal control structure such that management is provided with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

Management Response

The City has hired a Finance Director to provide financial oversight of all funds and ensure compliance with accounting policies as per adopted accounting principles. In addition, a new set of accounting policies has been drafted and will be introduced to the City Commission for approval in January 2011 and implemented thereafter to provide additional oversight and compliance.

Status

Repeat at 2010-1

# PRELIMINARY DRAFT

CITY OF JUNCTION CITY, KANSAS

Schedule of Findings and Questioned Costs - Continued  
For the Year Ended December 31, 2010

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>
<p>Airport Improvement Program, Airport Improvement Program - ARRA, Capitalization Grants for Drinking Water</p>	<p>2010-2</p>	<p>The City hired a third-party to operate the airport on behalf of the City. The most recent agreement between the third-party and the City expired in 2006 and another formal agreement has not been entered into with the third-party even though the Company continues to operate the airport. The third-party collects the revenues and remits the funds to the City monthly. The City has separate revenue and expense accounts for airport activity; however, City personnel have no procedures in place to ensure all airport revenue generating activities are accounted for and remitted to the City.</p>	<p>All revenue generated by a public airport must be accounted for by the grantee. In addition, all revenue generated must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the owner or operator of the airport and are directly and substantially related to the actual air transportation of passengers or property.</p>
<p>Airport Improvement Program, Airport Improvement Program - ARRA, Capitalization Grants for Drinking Water</p>	<p>2010-3</p>	<p>The City did not perform the verification procedures for the contracted parties contracted to perform work on the projects partially supported with the listed grants.</p>	<p>According to 2 CFR 180, non-Federal entities are prohibited from contracting with or making subawards under covered transactions (transactions exceeding \$25,000 and all subawards) to parties that are suspended or debarred. The non-Federal entity must verify that the party is not suspended or debarred by checking the Excluded Parties List System (EPLS), collecting a certification from the party, or adding a clause or condition to the covered transaction with the party.</p>



# PRELIMINARY DRAFT

## Questioned Costs

### Recommendation

### Management Response

N/A

We recommend the City design and implement procedures to monitor airport revenue generating activities to ensure all funds are being remitted and expended for allowable costs.

A Finance Director has been hired to assist with financial oversight of all city funds. The City Clerk and Finance Director are developing a process of tracking all contracts and a master file has been created to track all records for each City contract. In addition, new accounting policies have been drafted to address accounts receivable policies and procedures. As part of the implementation of the new policies, it is the City's intent to assign oversight of accounts receivables to one clerk within the City Treasurer's office, which will report to the City Treasurer. Then the City Treasurer will report to the Finance Director and City Manager. All contracts, land leases, and other such documents in the future shall be reviewed annually for compliance. All revenue sources will be sought, collected, and recorded as per accounting policies and practices.

N/A

We recommend the City revise internal control procedures to ensure that the City performs verification procedures for all covered transactions.

The City has drafted new accounting policy, which will assist with following proper procedures in the future. New policies being adopted will require project check lists and procedures that ensure that each federal requirement shall be met when utilizing federal grant or program funds.

CITY OF JUNCTION CITY, KANSAS

Schedule of Findings and Questioned Costs - Continued  
For the Year Ended December 31, 2010

Section III - Federal Award Findings and Questioned Costs - Continued

Prior Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>
See finding detail in Part II above	2009-1		
Airport Improvement Program, Airport Improvement Program - ARRA, U.S. Department of Transportation, Grant Award No. 3-20-0039-04, 3-20-0039-07, 3-20-039-08, 3-20-0039-09	2009-2	The City hired an engineering company to oversee the project funded by the awards noted above. The engineering company collected the certified payrolls and was supposed to forward them to the City for filing and review. At the time of fieldwork, the City only had 6 of the 21 required certified payrolls. Of the 5 payrolls selected for testwork, two employees were paid wages below the wage rate set by the Department of Labor.	According to 40 USC 3142, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal Assistance funds must be paid wages not less than those established for the locality of the project. According to 29 CFR 5.6, a non-Federal entity shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).
Airport Improvement Program, Airport Improvement Program - ARRA, U.S. Department of Transportation, Grant Award No. 3-20-0039-04, 3-20-0039-07, 3-20-039-08, 3-20-0039-09	2009-3	The City hired a third-party to operate the airport on behalf of the City. The most recent agreement between the third-party and the City expired in 2006 and another formal agreement has not been entered into with the third-party even though the Company continues to operate the airport. The third-party collects the revenues and remits the funds to the City monthly. The City has separate revenue and expense accounts for airport activity; however, City personnel have no procedures in place to ensure all airport revenue generating activities are accounted for and remitted to the City.	All revenue generated by a public airport must be accounted for by the grantee. In addition, all revenue generated must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the owner or operator of the airport and are directly and substantially related to the actual air transportation of passengers or property.

# PRELIMINARY DRAFT

<u>Questioned Costs</u>	<u>Recommendation</u>	<u>Management Response</u>	<u>Status</u>
N/A	We recommend the City revise their control procedures to include monitoring whether all certified payrolls are received and reviewed in a timely manner in order to comply with the wage rates set by the Department of Labor.	A Finance Director has been hired for financial oversight of all funds. In addition, City staff has budget authorization in the 2011 budget to hire a Public Works Director, which will be assigned project management for all public works projects. New policies are being adopted that will require project check lists to ensure that each federal requirement is met when utilizing federal grant or program funds. The new accounting policy has been drafted and scheduled for City Commission approval in January 2011. The Public Works Director and Finance Director will mutually agree upon a project oversight manager to provide day to day compliance over federal grant funds. The City Manager with the additional staff and improved policies and procedures will provide management oversight.	Repeated at 2010-1  Resolved
N/A	We recommend the City design and implement procedures to monitor airport revenue generating activities to ensure all funds are being remitted and expended for allowable costs.	A Finance Director has been hired to assist with financial oversight of all city funds. The City Clerk and Finance Director are developing a process of tracking all contracts and a master file has been created to track all records for each City contract. In addition, new accounting policies have been drafted to address accounts receivable policies and procedures, which has been scheduled for adoption by the City Commission in January 2011. As part of the implementation of the new policies, it is the City's intent to assign oversight of accounts receivables to one clerk within the City Treasurer's office, which will report to the City Treasurer. Then the City Treasurer will report to the Finance Director and City Manager. All contracts, land leases, and other such documents in the future shall be reviewed annually for compliance. All revenue sources will be sought, collected, and recorded as per accounting policies and practices.	Repeated at 2010-2

# PRELIMINARY DRAFT

## CITY OF JUNCTION CITY, KANSAS

### Schedule of Findings and Questioned Costs - Continued For the Year Ended December 31, 2010

#### Section III - Federal Award Findings and Questioned Costs - Continued

##### Prior Year Findings - Continued

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>
Airport Improvement Program, Airport Improvement Program - ARRA, U.S. Department of Transportation, Grant Award No. 3-20-0039-04, 3-20-0039-07, 3-20-039-08, 3-20-0039-09	2008-2	The City contracted with two parties for their airport project. They collected a certification from one of the contracted parties but did not perform any of the verification procedures for the other contracted party.	According to 2 CFR 180, non-Federal entities are prohibited from contracting with or making subawards under covered transactions (transactions exceeding \$25,000 and all subawards) to parties that are suspended or debarred. The non-Federal entity must verify that the party is not suspended or debarred by checking the Excluded Parties List System (EPLS), collecting a certification from the party, or adding a clause or condition to the covered transaction with the party.
Airport Improvement Program, Airport Improvement Program - ARRA, U.S. Department of Transportation, Grant Award No. 3-20-0039-04, 3-20-0039-07, 3-20-039-08, 3-20-0039-09	2008-3	The City did not minimize the time elapsing between receipt and disbursement as two of the three cash drawdowns selected for testwork showed receipts preceding the disbursement by a period of as much as 40 days. Furthermore, these funds were placed in an interest bearing account and the City did not calculate and remit to the Federal agency interest earned in excess of \$100.	According to 49 CFR 18.21©, grantees must minimize the time elapsing between the transfer of the funds and disbursement by the grantee. 49 CFR 19.21(h)(2)(i) states that a grantee "shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee...may keep interest amounts up to \$100 per year for administrative expenses.

# PRELIMINARY DRAFT

<u>Questioned Costs</u>	<u>Recommendation</u>	<u>Management Response</u>	<u>Status</u>
N/A	We recommend the City revise internal control procedures to ensure that the City performs verification procedures for all covered transactions.	The City has drafted new accounting policy, which will assist with following proper procedures in the future. New policies being adopted will require project check lists and procedures that ensure that each federal requirement shall be met when utilizing federal grant or program funds.	Repeated at 2010-3
N/A	We recommend the City design and implement procedures to minimize the time elapsing between receipt and disbursement of funds and calculate and remit interest earned in excess of the threshold.	The City has hired a Finance Director to oversee all city finances. The Finance Director and City Manager have developed and implemented a plan to correct the cash flow issues of Junction City, which will ultimately result in timely payments of all city project payments. In addition, the City has drafted new accounting policies, which will assist with following proper procedures in the future. The new policies are scheduled to be adopted by the City Commission in January 2011 and to be implemented thereafter. New policies being adopted will require project check lists and procedures that ensure that each federal requirement shall be met when utilizing federal grant or program funds. The airport improvement project mentioned was reviewed by the finance director and all payments have now been processed.	Resolved

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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 Commissioners  
City of Junction City, Kansas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison information and the aggregate remaining fund information of the City of Junction City as of and for the year ended December 31, 2010, and have issued our report thereon dated June 30, 2011. Our report contained a disclaimer of opinion on the aggregate discretely presented component unit opinion unit because the aggregate discretely presented component units were not audited. 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weaknesses.

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 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as Finding 2010-1, to be a material weakness.

## PRELIMINARY DRAFT

### 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 have reported to management in a separate letter dated June 30, 2011.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion it.

This communication is intended solely for the information and use of the mayor, city commission, 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 ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mayor and City Commissioners  
City of Junction City, Kansas

Compliance

We have audited the compliance of City of Shawnee, KS (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. The City's major federal 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 of 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items Findings 2010-2 and 2010-3.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with 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.



# PRELIMINARY DRAFT

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2010-1 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2010-2 and 2010-3 to be significant deficiencies.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion it.

This communication is intended solely for the information and use of the mayor, city commission, 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