



MIZE & HOUSER  
COMPANY P.A.

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, in accordance with the 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, the 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 (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 8, 2013. Our report contained a disclaimer of opinion on the aggregate discretely presented component unit opinion because the aggregate discretely presented component units were not audited.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be 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 deficiencies described in the accompanying schedule of findings and questioned costs as Finding 2012-1 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

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City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mike Houser: Company PA

August 8, 2013



MIZE & HOUSER  
COMPANY P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Mayor and City Commissioners  
City of Junction City, Kansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of City of Junction City, KS (the City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance 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, 2012.

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Mike Houser : Company PA*

August 8, 2013

**CITY OF JUNCTION CITY, KANSAS**  
**FINANCIAL STATEMENTS**  
**WITH REQUIRED AND OTHER SUPPLEMENTARY INFORMATION**

**Year ended December 31, 2012**

CITY OF JUNCTION CITY, KANSAS  
Basic Financial Statements With Required  
And Other Supplementary Information  
For the year ended December 31, 2012

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CITY OF JUNCTION CITY, KANSAS  
Basic Financial Statements With Required  
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MIZE & HOUSER  
COMPANY, P.A.

## INDEPENDENT AUDITOR'S REPORT

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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 the "Kansas Municipal Accounting and Audit Guide." These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### **Basis for Qualified Opinion**

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 7 percent, 11 percent and 32 percent of the assets, net position, 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 93 percent, 89 percent and 68 percent of the assets, net position, and revenues, respectively, of the City's aggregate discretely presented component units.

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**Qualified Opinion**

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, 2012.

**Unmodified Opinion**

In our opinion, the financial statements referred to in the first paragraph 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, 2012, 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.

**Other Matters***Required Supplementary Information*

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 46 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.

*Other Information*

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 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 basic 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 combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with "Government Auditing Standards," we have also issued our report dated August 8, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Mize Houser & Company PA*

August 8, 2013

CITY OF JUNCTION CITY, KANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

Fiscal Year Ended December 31, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with the City's financial statements which begin on page 1.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of 2012 by \$64,846,380 (net assets).
- The City's governmental funds reported combined ending fund balances of \$10,164,540.
- The fund balance for the general fund increased by \$807,093.
- The City's total general obligation debt decreased in 2012 by \$3.5 million.

**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 Meadows Golf Course. However, Rolling Meadows Golf Course operational budget has been absorbed into the General Fund in 2012 under Parks and Recreation oversight. We have budgeted for the same to occur with the Spin City fund by absorbing it into the General Fund in 2014.

**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.

CITY OF JUNCTION CITY, KANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

Fiscal Year Ended December 31, 2012

**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.

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.

CITY OF JUNCTION CITY, KANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

Fiscal Year Ended December 31, 2012

**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 \$64,846,380 at the close of 2012. The City's net assets increased by \$7,039,010. The governmental activities increased by \$5,145,997. The business type activities increased by \$1,893,013.

City of Junction City  
Government-Wide Financial Statements

	Governmental Activities		Business-type Activities	
	2011	2012	2011	2012
Current and other assets	\$ 68,058,938	\$ 69,729,791	\$ 4,848,264	\$ 6,969,332
Capital assets	86,706,798	84,561,446	68,969,453	67,829,974
Other noncurrent assets	2,294,610	2,049,426	258,988	234,896
Total assets	<u>\$ 157,060,346</u>	<u>\$ 156,340,663</u>	<u>\$ 74,076,705</u>	<u>\$ 75,034,202</u>
Long term liabilities	\$ 135,414,485	\$ 130,225,677	\$ 16,890,635	\$ 15,598,637
Other liabilities	17,915,425	9,794,394	3,123,717	2,685,502
Deferred inflows of resources	-	8,224,275	-	-
Total liabilities and deferred inflows	<u>\$ 153,329,910</u>	<u>\$ 148,244,346</u>	<u>\$ 20,014,352</u>	<u>\$ 18,284,139</u>
Net assets:				
Invested in capital assets, net of related debt	\$ [54,665,937]	\$ [51,875,398]	\$ 50,146,497	\$ 50,626,121
Restricted	49,923,874	49,923,152	-	-
Unrestricted	8,472,499	10,048,563	3,915,856	6,123,942
Total net assets	<u>\$ 3,730,436</u>	<u>\$ 8,096,317</u>	<u>\$ 54,062,353</u>	<u>\$ 56,750,063</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.

CITY OF JUNCTION CITY, KANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

Fiscal Year Ended December 31, 2012

A portion of the City's net assets, \$49,923,152, 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>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Revenues:				
Program revenues				
Charges for services	\$ 3,032,305	\$ 3,693,576	\$11,342,059	\$12,133,269
Operating grants and contributions	1,626,703	1,634,111	-	-
Capital grants and contributions	6,432,843	2,518,706	-	-
General revenues				
Property taxes	9,027,993	9,937,633	-	-
Sales tax	10,578,965	10,915,013	-	-
Franchise taxes	1,769,991	1,833,692	-	-
Other	1,695,678	2,871,551	296,566	408,889
Total revenue	<u>34,164,478</u>	<u>33,404,282</u>	<u>11,638,625</u>	<u>12,542,158</u>
Expenses:				
General government	3,216,686	2,972,338	-	-
Public safety	8,094,613	7,466,537	-	-
Public works	4,756,348	6,220,145	-	-
Culture and recreation	1,030,077	1,414,550	-	-
Economic development	735,663	975,615	-	-
Public health and sanitation	1,803,687	2,034,862	-	-
Interest on long-term debt	6,698,600	6,771,428	-	-
Payments on other obligations	1,516,382	1,855,634	-	-
Water and sewer	-	-	7,356,961	7,207,927
Stormwater	-	-	408,349	462,200
Spin City skating	-	-	179,062	257,592
Golf	-	-	332,836	-
Sanitation	-	-	1,440,358	1,268,602
Total expenses	<u>27,852,056</u>	<u>29,711,109</u>	<u>9,717,566</u>	<u>9,196,321</u>
Change in net assets before transfers	6,312,422	3,693,173	1,921,059	3,345,837
Transfers	389,185	1,452,824	[389,185]	[1,452,824]
Change in net assets	<u>6,701,607</u>	<u>5,145,997</u>	<u>1,531,874</u>	<u>1,893,013</u>
Net assets, beginning of year as previously stated	[2,970,752]	3,730,436	52,530,479	54,062,353
Prior period adjustment	[419]	[780,116]	-	794,697
Net assets, beginning of year restated	<u>[2,971,171]</u>	<u>2,950,320</u>	<u>52,530,479</u>	<u>54,857,050</u>
Net assets, end of year	<u>\$ 3,730,436</u>	<u>\$ 8,096,317</u>	<u>\$54,062,353</u>	<u>\$56,750,063</u>

CITY OF JUNCTION CITY, KANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

Fiscal Year Ended December 31, 2012

**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, unassigned 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 2012, unassigned fund balance of the general fund was \$4,808,908.

**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 2012 amounted to \$5,010,920, the Storm Water Fund's unrestricted net assets were \$865,542 and the non major proprietary fund's were \$247,480. The non major proprietary funds are the Golf Fund, Spin City, and Sanitation. The total change in net assets in 2012 for the water and sewer fund was an increase of \$1,879,123 and a decrease of \$[162,921] for stormwater fund while the non major proprietary funds change in net asset was in increase \$176,811.

**General Fund Budgetary Highlights**

The City continues to be impacted by the growth of the community due to expansion at the adjacent military installation. Fort Riley, home of the First Division reached "full nest" in 2012, which continues to impact issues with quality, affordable housing for soldiers and their families.

The City's revenues have remained stable for the last two years. Sales tax revenue in 2012 was \$ 5,950,705.61 A revenue source that was increased is franchise fees.

Residential construction continues in the community. The City continues to see a steady number of building permits issued. The permits are for single family and multi-family dwelling units. Building permits issued in 2012 were 1022, representing 301 new housing units. The previous number of permits issued for 2010 were 1042, representing 213 new housing units and in 2009 the City issued 628 permits that represent 187 new housing units.

CITY OF JUNCTION CITY, KANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

Fiscal Year Ended December 31, 2012

**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, 2012, amounts to \$152,391,420 (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>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Construction in Progress	\$ -	\$ -	\$ 371,810	\$ -
Land	13,732,739	13,732,739	610,446	610,446
Buildings	19,004,609	19,150,528	26,613,364	26,517,783
Streets	95,905,599	96,209,949	74,791,178	75,283,752
Equipment and Improvements	7,742,437	9,531,884	9,169,403	9,085,444
Less: Accumulated Depreciation	<u>[49,678,586]</u>	<u>[54,063,654]</u>	<u>[42,586,748]</u>	<u>[43,667,451]</u>
Total capital assets, net	<u>\$ 86,706,798</u>	<u>\$ 84,561,446</u>	<u>\$ 68,969,453</u>	<u>\$ 67,829,974</u>

At the end of 2012, the City had total bonded debt outstanding of \$127,677,740 backed by full faith and credit of the city, no temporary notes, and \$20,447,239 of State of Kansas Revolving Loan fund debt. \$6,785,481 of that State revolving fund debt represents bonds secured solely by water and sewer revenue sources. In 2010 and 2011 the City experienced a cash flow crisis which had to be addressed to make the second half bond payments in 2012. The crisis was averted by the implementation of several immediate cutbacks as well as significant increases in revenues. Ultimately, a Fiscal Transformation Plan was developed to ensure complete recovery. Some of the actions taken to respond and recover included the following:

1. Debt restructuring to improve cash flow position.
2. Increase in property taxes
3. Requested and received by a vote of the citizens, a one cent sales tax restricted for debt payments.
4. Worked with Standards & Poors to retain an A bond rating and was successful in increasing it to an A+ in 2013.
5. Multiple community meetings and forums to engage public in discussions of organizational structure, prioritization of services, and education.
6. Kept open communications with Fort Riley, which is the cities' largest employer.
7. Worked with legislative delegations to extend debt limit revisions for Junction City and was successful in 2012 legislature. We also requested assistance from congressional delegates to lessen the local burden created by Fort Riley, which resulted in federal highway funds for US77 improvements (multiple projects) without city mating funds and a FEMA grant award for a new fire ladder truck for \$760,000.
8. A complete review of all contract services was done to ensure contracts were viable and actions were taken to revise or cancel if contracts were found insufficient. This has led to cancellation of contract for services for operating public works through a private contractor. Contract errors that were found have been corrected.
9. A complete city staff organization plan was analyzed and changes made to develop efficiencies and eliminated services no longer in demand or deemed a high priority.
10. Administration and franchise fees were established for all utility funds.
11. The policy on Special Assessment practices was changed to ensure that a project developer is responsible for the cost of development.

CITY OF JUNCTION CITY, KANSAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

Fiscal Year Ended December 31, 2012

12. Economic development debt was halted and policy changes to be changed for future projects. Spirit of '76 transactions were reorganized and controls put in place to reduce city liability.
13. All organizational expenditures were analyzed and limited to operational priorities. All capital projects were deferred.
14. The City accounting and fund management practices revised. A new Fiscal Policy was adopted and multiple checks and balances implemented. The City hired a new audit firm and continues to work with auditors to improve accounting system to meet GAAP and GASB standards.
15. All schedules debt payments were made in 2012 and the Cities' year end cash balance was \$13,834,751.

More detailed information about the City's long-term debt is presented in Note 10 to the basic financial statements.

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

	Governmental Activities		Business-type Activities	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
General obligation bonds	\$ 61,530,383	\$ 59,026,031	\$ 10,710,786	\$ 9,763,821
Special assessment debt	60,970,581	58,529,603	-	-
State of KS Revolving Loans	14,497,537	13,661,758	7,944,826	6,785,481
Certificate of Participation	3,625,000	3,285,000	-	-
Notes Payable	-	567,814	-	-
Capital Lease Obligations	749,234	1,366,638	167,344	654,551
Total	<u>\$ 141,372,735</u>	<u>\$ 136,436,844</u>	<u>\$ 18,822,956</u>	<u>\$ 17,203,853</u>

The City's total debt decreased by a net amount of \$6,554,994 during 2012. 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 2012.

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.

## CITY OF JUNCTION CITY, KANSAS

STATEMENT OF NET POSITION  
December 31, 2012

	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	\$ 7,729,494	\$ 6,105,257	\$ 13,834,751	\$ 1,037,125	\$ 3,397
Receivables (net of allowance for uncollectibles)					
Accounts	892,497	1,392,324	2,284,821	-	1,443,971
Taxes	10,211,052	-	10,211,052	-	-
Special assessments	50,338,056	-	50,338,056	-	-
Notes	26,999	-	26,999	-	-
Internal balances	528,249	[528,249]	-	-	-
Inventory	3,444	-	3,444	-	-
Property investment held for sale	-	-	-	-	11,931,826
Deferred charges	2,049,426	234,896	2,284,322	-	-
Total current assets	<u>71,779,217</u>	<u>7,204,228</u>	<u>78,983,445</u>	<u>1,037,125</u>	<u>13,379,194</u>
<b>Noncurrent assets:</b>					
Capital assets, nondepreciable					
Land	13,732,739	610,446	14,343,185	-	-
Capital assets, depreciable	124,892,361	110,886,979	235,779,340	-	-
Less: Accumulated depreciation	[54,063,654]	[43,667,451]	[97,731,105]	-	-
Total noncurrent assets	<u>84,561,446</u>	<u>67,829,974</u>	<u>152,391,420</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 156,340,663</u>	<u>\$ 75,034,202</u>	<u>\$ 231,374,865</u>	<u>\$ 1,037,125</u>	<u>\$ 13,379,194</u>
<b>Liabilities and Deferred Inflows of Resources</b>					
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 757,541	\$ 398,482	\$ 1,156,023	\$ 1,285	\$ -
Accrued payroll	245,378	20,833	266,211	-	-
Interest payable	1,934,551	195,972	2,130,523	-	-
Meter deposits payable	-	448,934	448,934	-	-
Current portion of compensated absences payable	-	16,065	16,065	-	-
Current portion of loans payable	871,611	468,925	1,340,536	-	-
Current portion of notes payable	80,607	-	80,607	-	-
Current portion of general obligation bonds payable	2,620,004	995,000	3,615,004	-	-
Current portion of special assessments bonds payable	2,495,317	-	2,495,317	-	-
Current portion of certificate of participation	350,000	-	350,000	-	-
Current portion of capital lease payable	439,385	141,291	580,676	-	-
Total current liabilities	<u>9,794,394</u>	<u>2,685,502</u>	<u>12,479,896</u>	<u>1,285</u>	<u>-</u>
<b>Noncurrent liabilities:</b>					
Compensated absences payable	491,407	-	491,407	-	-
Net OPEB Obligation	154,350	-	154,350	-	-
Loans payable	12,790,147	6,316,556	19,106,703	-	4,658,745
Notes payable	487,207	-	487,207	-	-
General obligation bonds payable	56,406,027	8,768,821	65,174,848	-	-
Special assessments bonds payable	56,034,286	-	56,034,286	-	-
Certificates of participation payable	2,935,000	-	2,935,000	-	-
Capital lease payable	927,253	513,260	1,440,513	-	-
Total non-current liabilities	<u>130,225,677</u>	<u>15,598,637</u>	<u>145,824,314</u>	<u>-</u>	<u>4,658,745</u>
Total liabilities	<u>140,020,071</u>	<u>18,284,139</u>	<u>158,304,210</u>	<u>1,285</u>	<u>4,658,745</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	8,224,275	-	8,224,275	-	-
Total deferred inflows of resources	<u>8,224,275</u>	<u>-</u>	<u>8,224,275</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>\$ 148,244,346</u>	<u>\$ 18,284,139</u>	<u>\$ 166,528,485</u>	<u>\$ 1,285</u>	<u>\$ 4,658,745</u>
<b>Net Position</b>					
Invested in capital assets, net of related debt	\$ [51,875,398]	\$ 50,626,121	\$ [1,249,277]	\$ -	\$ -
<b>Restricted for:</b>					
Capital projects	640,090	-	640,090	-	-
Revolving funds	737,731	-	737,731	-	-
Equipment	141,826	-	141,826	-	-
Debt service	48,403,505	-	48,403,505	-	-
Unrestricted	10,048,563	6,123,942	16,172,505	1,035,840	8,720,449
Total net position	<u>\$ 8,096,317</u>	<u>\$ 56,750,063</u>	<u>\$ 64,846,380</u>	<u>\$ 1,035,840</u>	<u>\$ 8,720,449</u>

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

CITY OF JUNCTION CITY, KANSAS

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2012

	Program Revenues				Net [Expenses] Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Public Library (Unaudited)	Spirit of '76 (Unaudited)
					Total Governmental Activities	Total Business-type Activities			
<b>Governmental activities:</b>									
General government	\$ 2,972,338	\$ 945,318	\$ 637,548	\$ -	\$ [1,389,472]	\$ -	\$ [1,389,472]	\$ -	\$ -
Public safety	7,466,537	2,413,094	382,883	-	[4,670,560]	-	[4,670,560]	-	-
Public works	6,220,145	335,164	613,680	2,518,706	[2,752,595]	-	[2,752,595]	-	-
Culture and recreation	1,414,550	-	-	-	[1,414,550]	-	[1,414,550]	-	-
Economic development	975,615	-	-	-	[975,615]	-	[975,615]	-	-
Public health and sanitation	2,034,862	-	-	-	[2,034,862]	-	[2,034,862]	-	-
Payments on other obligations (see note)	1,855,634	-	-	-	[1,855,634]	-	[1,855,634]	-	-
Interest on long-term debt	6,771,428	-	-	-	[6,771,428]	-	[6,771,428]	-	-
<b>Total governmental activities</b>	<b>29,711,109</b>	<b>3,693,576</b>	<b>1,634,111</b>	<b>2,518,706</b>	<b>[21,864,716]</b>	<b>-</b>	<b>[21,864,716]</b>	<b>-</b>	<b>-</b>
<b>Business-type activities:</b>									
Water and Sewer	7,207,927	9,747,283	-	-	-	2,539,356	2,539,356	-	-
Stormwater	462,200	781,779	-	-	-	319,579	319,579	-	-
Spin City	257,592	143,203	-	-	-	[114,389]	[114,389]	-	-
Sanitation	1,268,602	1,461,004	-	-	-	192,402	192,402	-	-
<b>Total business-type activities</b>	<b>9,196,321</b>	<b>12,133,269</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,936,948</b>	<b>2,936,948</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$38,907,430</b>	<b>\$15,826,845</b>	<b>\$ 1,634,111</b>	<b>\$ 2,518,706</b>	<b>[21,864,716]</b>	<b>2,936,948</b>	<b>[18,927,768]</b>	<b>-</b>	<b>-</b>
<b>Component units:</b>									
Public Library	\$ 876,170	\$ -	\$ 1,031,152	\$ -	-	-	-	154,982	-
Spirit of '76	296,976	460,494	-	1,725,144	-	-	-	-	1,888,662
<b>Total component units</b>	<b>\$ 1,173,146</b>	<b>\$ 460,494</b>	<b>\$ 1,031,152</b>	<b>\$ 1,725,144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>154,982</b>	<b>1,888,662</b>
<b>General Revenues:</b>									
Property tax					9,937,633	-	9,937,633	-	-
Sales tax					10,915,013	-	10,915,013	-	-
Franchise tax					1,833,692	-	1,833,692	-	-
Payments in lieu of tax					16,406	-	16,406	-	-
Use of money or property					586,731	-	586,731	-	8
Miscellaneous					2,268,414	408,889	2,677,303	-	-
Transfers, net					1,452,824	[1,452,824]	-	-	-
<b>Subtotal general revenues</b>					<b>27,010,713</b>	<b>[1,043,935]</b>	<b>25,966,778</b>	<b>-</b>	<b>8</b>
<b>Change in net position</b>					<b>5,145,997</b>	<b>1,893,013</b>	<b>7,039,010</b>	<b>154,982</b>	<b>1,888,670</b>
<b>Net position - beginning</b>					<b>3,730,436</b>	<b>54,062,353</b>	<b>57,792,789</b>	<b>880,858</b>	<b>6,831,779</b>
<b>Prior period adjustment</b>					<b>[780,116]</b>	<b>794,697</b>	<b>14,581</b>	<b>-</b>	<b>-</b>
<b>Net position - beginning, restated</b>					<b>2,950,320</b>	<b>54,857,050</b>	<b>57,807,370</b>	<b>880,858</b>	<b>6,831,779</b>
<b>Net position - ending</b>					<b>\$ 8,096,317</b>	<b>\$ 56,750,063</b>	<b>\$ 64,846,380</b>	<b>\$ 1,035,840</b>	<b>\$8,720,449</b>

CITY OF JUNCTION CITY, KANSAS

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2012

	<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	\$ 2,979,494	\$ 518,916	\$ 370,090	\$ 2,194,283	\$ 1,666,710	\$ 7,729,493
Receivables (net)						
Accounts	535,980	-	-	12,575	343,942	892,497
Taxes	3,445,240	-	-	5,702,620	1,063,192	10,211,052
Special assessments	-	-	-	50,338,056	-	50,338,056
Notes	-	-	-	-	26,999	26,999
Inventory	3,444	-	-	-	-	3,444
Due from other funds	182,738	-	270,000	258,250	406,734	1,117,722
<b>Total assets</b>	<b>\$ 7,146,896</b>	<b>\$ 518,916</b>	<b>\$ 640,090</b>	<b>\$ 58,505,784</b>	<b>\$ 3,507,577</b>	<b>\$ 70,319,263</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 557,441	\$ 889	\$ -	\$ 108,683	\$ 33,822	\$ 700,835
Retainage payable	56,706	-	-	-	-	56,706
Due to other funds	20,000	386,734	-	-	182,739	589,473
Accrued liabilities	245,378	-	-	-	-	245,378
<b>Total liabilities</b>	<b>879,525</b>	<b>387,623</b>	<b>-</b>	<b>108,683</b>	<b>216,561</b>	<b>1,592,392</b>
<b>Deferred inflows of resources:</b>						
Unavailable revenue - property taxes	1,458,463	-	-	5,702,620	1,063,192	8,224,275
Unavailable revenue - special assessments	-	-	-	50,338,056	-	50,338,056
<b>Total deferred inflows of resources</b>	<b>1,458,463</b>	<b>-</b>	<b>-</b>	<b>56,040,676</b>	<b>1,063,192</b>	<b>58,562,331</b>
<b>Fund balance:</b>						
Restricted	-	-	640,090	2,356,425	2,226,689	5,223,204
Committed	-	131,293	-	-	166,036	297,329
Unassigned	4,808,908	-	-	-	[164,901]	4,644,007
<b>Total fund balances</b>	<b>4,808,908</b>	<b>131,293</b>	<b>640,090</b>	<b>2,356,425</b>	<b>2,227,824</b>	<b>10,164,540</b>
<b>Total liabilities, deferred inflows of Resources and fund balances</b>	<b>\$ 7,146,896</b>	<b>\$ 518,916</b>	<b>\$ 640,090</b>	<b>\$ 58,505,784</b>	<b>\$ 3,507,577</b>	<b>\$ 70,319,263</b>

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

CITY OF JUNCTION CITY, KANSAS

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES

December 31, 2012

Total Governmental Fund Balances		\$ 10,164,540
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
The cost of capital assets is	138,625,100	
Accumulated depreciation is	<u>[54,063,654]</u>	84,561,446
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
		52,387,483
The following liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Compensated absences	[491,407]	
Net OPEB obligation	[154,350]	
Notes payable	[567,814]	
Loans payable	[13,661,758]	
General obligation bonds payable	[59,026,031]	
Special assessment bonds payable	[58,529,603]	
Certificates of participation payable	[3,285,000]	
Capital lease payable	[1,366,638]	
Accrued interest on the bonds	<u>[1,934,551]</u>	<u>[139,017,152]</u>
Net Position of Governmental Activities		<u>\$ 8,096,317</u>

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

CITY OF JUNCTION CITY, KANSAS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2012

	<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	\$ 1,206,519	\$ 458,619	\$ -	\$ 6,076,330	\$ 2,196,165	\$ 9,937,633
Sales	7,128,010	-	-	3,787,003	-	10,915,013
Franchise	1,833,692	-	-	-	-	1,833,692
Payment in lieu	16,406	-	-	-	-	16,406
Charges for services	2,096,503	-	-	-	-	2,096,503
Intergovernmental	637,548	-	-	-	996,563	1,634,111
Licenses and permits	335,164	-	-	-	-	335,164
Fines and fees	1,261,909	-	-	-	-	1,261,909
Special assessments	-	-	-	2,900,364	-	2,900,364
Use of money and property	48,185	-	14,680	523,236	630	586,731
Miscellaneous	1,127,004	386,635	154,676	210,000	390,099	2,268,414
<b>Total revenues</b>	<b>15,690,940</b>	<b>845,254</b>	<b>169,356</b>	<b>13,496,933</b>	<b>3,583,457</b>	<b>33,785,940</b>
<b>EXPENDITURES</b>						
Current						
General government	1,405,194	-	-	-	1,224,885	2,630,079
Public safety	7,219,381	-	-	-	362,523	7,581,904
Public works	3,071,351	27,626	-	-	599,835	3,698,812
Public health and sanitation	1,991,829	-	-	-	-	1,991,829
Culture and recreation	1,437,283	-	-	-	6,047	1,443,330
Economic development	350,956	-	-	450,032	174,627	975,615
Miscellaneous	53,443	-	-	131,685	-	185,128
Debt service						
Principal	-	-	-	5,860,237	274,912	6,135,149
Interest and other charges	361,716	-	-	6,242,097	75,494	6,679,307
Payments on contractual obligations	-	-	-	1,855,634	-	1,855,634
Capital outlay	-	-	-	-	32,427	32,427
<b>Total expenditures</b>	<b>15,891,153</b>	<b>27,626</b>	<b>-</b>	<b>14,539,685</b>	<b>2,750,750</b>	<b>33,209,214</b>
Excess [deficiency] of revenues over [under] expenditures	<u>[200,213]</u>	<u>817,628</u>	<u>169,356</u>	<u>[1,042,752]</u>	<u>832,707</u>	<u>576,726</u>
Other financing sources [uses]						
Transfers in	1,007,306	-	-	850,000	-	1,857,306
Transfers [out]	-	-	-	-	[404,482]	[404,482]
<b>Total other financing sources [uses]</b>	<b>1,007,306</b>	<b>-</b>	<b>-</b>	<b>850,000</b>	<b>[404,482]</b>	<b>1,452,824</b>
<b>Net change in fund balance</b>	<b>807,093</b>	<b>817,628</b>	<b>169,356</b>	<b>[192,752]</b>	<b>428,225</b>	<b>2,029,550</b>
Fund balance - Beginning of year	3,993,315	[686,335]	470,734	2,557,895	1,799,599	8,135,208
Prior period adjustment	8,500	-	-	[8,718]	-	[218]
Fund balance - Beginning of year, restated	4,001,815	[686,335]	470,734	2,549,177	1,799,599	8,134,990
<b>Fund balance - End of year</b>	<b>\$ 4,808,908</b>	<b>\$ 131,293</b>	<b>\$ 640,090</b>	<b>\$ 2,356,425</b>	<b>\$ 2,227,824</b>	<b>\$ 10,164,540</b>

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

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, 2012

Total Net Change In Fund Balances - Governmental Funds \$ 2,029,550

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 position 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	1,210,141	
Depreciation expense	<u>[3,390,800]</u>	[2,180,659]

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 increased.

90,004

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.

[381,658]

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		125,884
Other post employment benefits		[43,032]

Bond and temporary note proceeds are other financing sources in the governmental funds, but they increase long-term liabilities in the statement of net position 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.

Capital lease proceeds		[863,862]
Capitalized bond issuance costs and issuance premiums		[14,041]
Amortization of issuance costs		[245,185]

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 position and does not affect the statement of activities.

General obligation debt		4,959,370
Notes		77,101
Loans		835,779
Capital leases		416,746
Certificates of participation		<u>340,000</u>

Changes In Net Position of Governmental Activities \$ 5,145,997

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

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, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive <u>[Negative]</u>
Revenues				
Taxes	\$ 10,189,953	\$ 9,636,750	\$ 9,636,750	\$ 553,203
Charges for services	1,842,485	2,350,555	2,350,555	(508,070)
Intergovernmental	637,548	934,874	934,874	[297,326]
Licenses and permits	335,164	355,000	355,000	[19,836]
Fines and fees	1,261,909	925,000	925,000	336,909
Use of money and property	48,185	155,000	155,000	[106,815]
Miscellaneous	<u>1,127,004</u>	<u>491,600</u>	<u>491,600</u>	<u>635,404</u>
Total revenues	<u>15,442,248</u>	<u>14,848,779</u>	<u>14,848,779</u>	<u>593,469</u>
Expenditures				
City manager	1,191,232	933,416	933,416	[257,816]
Building maintenance	73,693	35,000	35,000	[38,693]
Information systems	139,410	111,154	111,154	[28,256]
Administrative services	860	-	-	[860]
Airport	53,132	73,235	73,235	20,103
Court	299,069	306,022	306,022	6,953
Ambulance	1,991,829	2,124,156	2,124,156	132,327
Animal shelter	80,581	-	-	[80,581]
Codes enforcement	210,639	212,108	212,108	1,469
County inspection	12,210	-	-	[12,210]
Police	4,709,034	4,972,567	4,972,567	263,533
Fire	2,130,696	2,264,887	2,264,887	134,191
Parks	559,480	674,460	674,460	114,980
Recreation	624,405	687,560	687,560	63,155
Streets	3,018,220	2,669,940	2,669,940	[348,280]
Engineering	128,107	164,080	164,080	35,973
Opera House	113,645	123,651	123,651	10,006
Swimming pools	143,197	212,314	212,314	69,117
Misc	53,443	405,500	405,500	352,057
Debt principal	-	796,846	796,846	796,846
Interest	<u>361,716</u>	<u>-</u>	<u>-</u>	<u>[361,716]</u>
Total expenditures	<u>15,894,598</u>	<u>16,766,896</u>	<u>16,766,896</u>	<u>872,298</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[452,350]</u>	<u>[1,918,117]</u>	<u>[1,918,117]</u>	<u>1,465,767</u>

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

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, 2012

	Actual	Budgeted Amounts		Variance with
		Original	Final	Final Budget Positive [Negative]
Other financing sources [uses]				
Transfer in	\$ 1,007,306	\$ 1,002,500	\$ 1,002,500	\$ 4,806
Total other financing sources [uses]	<u>1,007,306</u>	<u>1,002,500</u>	<u>1,002,500</u>	<u>4,806</u>
Net change in fund balance	<u>554,956</u>	<u>\$ [915,617]</u>	<u>\$ [915,617]</u>	<u>\$ 1,470,573</u>
Budgetary basis				
Fund balance, beginning	1,719,251			
Prior period adjustment for budgetary basis	<u>8,500</u>			
Budgetary basis				
Fund balance, beginning, restated	<u>1,727,751</u>			
Budgetary basis fund balance, ending	2,282,707			
GAAP Adjustments:				
Accounts Receivable	535,980			
Taxes Receivable	3,445,240			
Inventory	3,444			
Deferred Revenue	<u>[1,458,463]</u>			
Fund balance, ending	<u>\$ 4,808,908</u>			

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

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, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with
		<u>Original</u>	<u>Final</u>	Final Budget Positive [Negative]
Revenues				
Taxes	\$ 458,619	\$ 365,173	\$ 459,141	\$ [522]
Miscellaneous	<u>386,635</u>	<u>400,000</u>	<u>400,000</u>	<u>[13,365]</u>
Total revenues	<u>845,254</u>	<u>765,173</u>	<u>859,141</u>	<u>[13,887]</u>
Expenditures				
Contractual	<u>27,626</u>	<u>-</u>	<u>28,000</u>	<u>374</u>
Total expenditures	<u>27,626</u>	<u>-</u>	<u>28,000</u>	<u>374</u>
Net change in fund balances	817,628	765,173	831,141	[13,513]
Fund balance, beginning	<u>[686,335]</u>	<u>-</u>	<u>-</u>	<u>[686,335]</u>
Fund balance, beginning	<u>\$ 131,293</u>	<u>\$ 765,173</u>	<u>\$ 831,141</u>	<u>\$ [699,848]</u>

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

CITY OF JUNCTION CITY, KANSAS

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 December 31, 2012

	Business-Type Activities: Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Stormwater	Nonmajor Proprietary Funds	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 5,216,048	\$ 714,150	\$ 175,059	\$ 6,105,257
Receivables (net of allowances for uncollectibles)				
Accounts	<u>1,062,355</u>	<u>151,392</u>	<u>178,577</u>	<u>1,392,324</u>
Total current assets	<u>6,278,403</u>	<u>865,542</u>	<u>353,636</u>	<u>7,497,581</u>
Noncurrent assets:				
Bond issuance costs	234,896	-	-	234,896
Capital assets:				
Nondepreciable capital assets:				
Land	442,562	-	167,884	610,446
Depreciable capital assets:				
Capital assets	96,619,369	11,983,670	2,283,940	110,886,979
Less: accumulated depreciation	<u>[42,071,234]</u>	<u>[946,331]</u>	<u>[649,886]</u>	<u>[43,667,451]</u>
Total noncurrent assets	<u>55,225,593</u>	<u>11,037,339</u>	<u>1,801,938</u>	<u>68,064,870</u>
Total assets	<u>\$61,503,996</u>	<u>\$11,902,881</u>	<u>\$ 2,155,574</u>	<u>\$75,562,451</u>
Liabilities:				
Current liabilities:				
Accounts payable	\$ 343,949	\$ -	\$ 54,533	\$ 398,482
Accrued payroll	12,799	-	8,034	20,833
Interest payable	195,972	-	-	195,972
Meter deposits payable	448,934	-	-	448,934
Due to other funds	484,660	-	43,589	528,249
Current portion of compensated absences payable	16,065	-	-	16,065
Current portion of loans payable	468,925	-	-	468,925
Current portion of capital lease payable	21,200	-	120,091	141,291
Current portion of general obligation bonds payable	<u>995,000</u>	<u>-</u>	<u>-</u>	<u>995,000</u>
Total current liabilities	<u>2,987,504</u>	<u>-</u>	<u>226,247</u>	<u>3,213,751</u>
Noncurrent liabilities:				
Loans payable	6,316,556	-	-	6,316,556
Capital lease payable	76,644	-	436,616	513,260
General obligation bonds payable	<u>8,768,821</u>	<u>-</u>	<u>-</u>	<u>8,768,821</u>
Total noncurrent liabilities	<u>15,162,021</u>	<u>-</u>	<u>436,616</u>	<u>15,598,637</u>
Total liabilities	<u>\$18,149,525</u>	<u>\$ -</u>	<u>\$ 662,863</u>	<u>\$18,812,388</u>
Net Position				
Invested in capital assets, net of related debt	\$38,343,551	\$11,037,339	\$ 1,245,231	\$50,626,121
Unrestricted	<u>5,010,920</u>	<u>865,542</u>	<u>247,480</u>	<u>6,123,942</u>
Total net position	<u>\$43,354,471</u>	<u>\$11,902,881</u>	<u>\$ 1,492,711</u>	<u>\$56,750,063</u>

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

CITY OF JUNCTION CITY, KANSAS  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2012

	Business-Type Activities: Enterprise Funds			
	Water and Sewer	Stormwater	Nonmajor Proprietary Funds	Total Enterprise Funds
Operating revenue				
Charges for services	\$ 9,747,283	\$ 781,779	\$ 1,604,207	\$ 12,133,269
Miscellaneous	309,767	-	99,122	408,889
Total operating revenues	<u>10,057,050</u>	<u>781,779</u>	<u>1,703,329</u>	<u>12,542,158</u>
Operating expenses				
Personnel services	852,241	50,015	332,641	1,234,897
Contractual services	3,719,839	172,512	956,981	4,849,332
Commodities	308,954	-	96,276	405,230
Depreciation and amortization	1,719,093	239,673	140,296	2,099,062
Total operating expense	<u>6,600,127</u>	<u>462,200</u>	<u>1,526,194</u>	<u>8,588,521</u>
Operating income [loss]	<u>3,456,923</u>	<u>319,579</u>	<u>177,135</u>	<u>3,953,637</u>
Nonoperating revenues [expenses]				
Interest expense	[607,800]	-	-	[607,800]
Total nonoperating revenues [expenses]	<u>[607,800]</u>	<u>-</u>	<u>-</u>	<u>[607,800]</u>
Income [loss] before transfers	<u>2,849,123</u>	<u>319,579</u>	<u>177,135</u>	<u>3,345,837</u>
Transfers from [to] other funds				
Transfers [out]	[970,000]	[482,500]	[324]	[1,452,824]
Total transfers	<u>[970,000]</u>	<u>[482,500]</u>	<u>[324]</u>	<u>[1,452,824]</u>
Change in net position	<u>1,879,123</u>	<u>[162,921]</u>	<u>176,811</u>	<u>1,893,013</u>
Net position, beginning	41,328,263	12,065,802	668,288	54,062,353
Prior period adjustment	147,085	-	647,612	794,697
Net position, beginning, restated	<u>41,475,348</u>	<u>12,065,802</u>	<u>1,315,900</u>	<u>54,857,050</u>
Net position, ending	<u>\$ 43,354,471</u>	<u>\$ 11,902,881</u>	<u>\$ 1,492,711</u>	<u>\$ 56,750,063</u>

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

CITY OF JUNCTION CITY, KANSAS

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2012

	Business-Type Activities: Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Stormwater	Nonmajor Proprietary Funds	
Cash flows from operating activities				
Cash received from customers and users	\$ 9,902,445	\$ 797,731	\$ 1,608,561	\$ 12,308,737
Cash paid to suppliers of goods and services	[4,025,610]	[188,132]	[1,102,667]	[5,316,409]
Cash paid to employees	[851,815]	[50,015]	[326,254]	[1,228,084]
Other operating receipts	309,767	-	99,122	408,889
Net cash provided by [used in] operating activities	<u>5,334,787</u>	<u>559,584</u>	<u>278,762</u>	<u>6,173,133</u>
Cash flows from capital and related financing activities				
Purchase and construction of capital assets	[218,729]	[120,765]	[630,728]	[970,222]
Principal payments - capital lease	[10,409]	-	[56,928]	[67,337]
Proceeds - capital lease	108,253	-	613,635	721,888
Principal payments - general obligation bonds	[946,965]	-	-	[946,965]
Interest payments	[626,266]	-	-	[626,266]
Loan proceeds	65,675	-	-	65,675
Principal payments - loans payable	[579,788]	-	-	[579,788]
Net cash provided by [used in] capital and related financing activities	<u>[2,208,229]</u>	<u>[120,765]</u>	<u>[74,021]</u>	<u>[2,403,015]</u>
Cash flows from noncapital financing activities				
Change in due to/from other funds	557,931	-	[29,682]	528,249
Transfers [out]	[970,000]	[482,500]	-	[1,452,500]
Net cash provided by [used in] noncapital financing activities	<u>[412,069]</u>	<u>[482,500]</u>	<u>[29,682]</u>	<u>[924,251]</u>
Net increase [decrease] in cash and cash equivalent	<u>2,714,489</u>	<u>[43,681]</u>	<u>175,059</u>	<u>2,845,867</u>
Cash and cash equivalents, beginning	2,501,559	757,831	500	3,259,890
Prior period adjustment	-	-	[500]	[500]
Cash and cash equivalents, beginning, restated	<u>2,501,559</u>	<u>757,831</u>	<u>-</u>	<u>3,259,390</u>
Cash and cash equivalents, ending	<u>\$ 5,216,048</u>	<u>\$ 714,150</u>	<u>\$ 175,059</u>	<u>\$ 6,105,257</u>

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

CITY OF JUNCTION CITY, KANSAS

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (Continued)  
 For the Year Ended December 31, 2012

	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]	\$ 3,456,923	\$ 319,579	177,135	\$ 3,953,637
Net cash provided by [used in] operating activities				
Depreciation expense	1,719,093	239,673	140,296	2,099,062
[Increase] decrease in accounts receivable	94,473	15,952	4,354	114,779
Increase [decrease] in meter deposits payable	60,689	-	-	60,689
Increase [decrease] in accounts payable	3,183	[15,620]	[49,410]	[61,847]
Increase [decrease] in accrued payroll	7,834	-	6,387	14,221
Increase [decrease] in accrued compensated absences	[7,408]	-	-	[7,408]
Net cash provided by [used in] operating activities	<u>\$ 5,334,787</u>	<u>\$ 559,584</u>	<u>\$ 278,762</u>	<u>\$ 6,173,133</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, 2012

**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 position 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.

CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2012

**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.

CITY OF JUNCTION CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2012

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

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

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, 2012

**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 Position.

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.

CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

**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, 2012

**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 position. 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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. Accordingly, the item, unavailable revenue for special assessments, is reported only in the governmental funds balance sheet. The government funds report unavailable revenues from two sources: property taxes and special assessments. The government-wide statements of net position report only the unavailable revenue for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Fund Balance**

In the fund financial statements, governmental funds report fund balance in the following classifications: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Restricted fund balance indicates that constraints have been placed on the use of resources either by being externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city commission. Assigned fund balances include amounts that are constrained by the City management's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available restricted amounts are considered to be spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the following is the order in which resources will be expended: committed, assigned and unassigned.

CITY OF JUNCTION CITY, KANSAS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2012

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

**Fund Balance (Continued)**

The following is the detail for fund balance classifications in the financial statements:

	Major Governmental Funds				Other	Total
	<u>General</u>	<u>Capital Improvement</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Fund Balances:						
Restricted for:						
Economic development	\$ -	\$ -	\$ -	\$ -	\$ 816,466	\$ 816,466
Public works	-	-	-	-	873,373	873,373
Capital improvements	-	-	-	640,090	-	640,090
Public safety	-	-	-	-	536,850	536,850
Debt payments	-	-	2,356,425	-	-	2,356,425
Committed for:						
General government	-	-	-	-	27,099	27,099
Employee benefits	-	-	-	-	125,100	125,100
Capital improvements	-	131,293	-	-	-	131,293
Culture and recreation	-	-	-	-	13,837	13,837
Unassigned:	<u>4,808,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>[164,901]</u>	<u>4,644,007</u>
 Total Fund Balances	 <u>\$ 4,808,908</u>	 <u>\$ 131,293</u>	 <u>\$ 2,356,425</u>	 <u>\$ 640,090</u>	 <u>\$ 2,227,824</u>	 <u>\$ 10,164,540</u>

**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.

CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

**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, 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 Military Affairs, Grants, Sundown Salute, Capital Projects, Rural Housing District, Revolving Loans, 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 5<sup>th</sup>.
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 2012 budget was amended for the Library, Employee Benefits and the Capital Improvement Funds.

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.

**Deficit Fund Balances**

The grants fund and rolling hills golf fund had deficit fund balances of \$164,901 and \$324, respectively, at December 31, 2012.

**Excess of Expenditures Over Appropriations**

For the year ended December 31, 2012, expenditures and transfer out exceeded appropriations in the utility charges fund by \$ 2,987. These over expenditures were funded by excess reserves and available fund balance in the funds.

CITY OF JUNCTION CITY, KANSAS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2012

**3. Restatement of Equity**

In 2012, it was determined that an adjustment to beginning accrued liabilities was required. Additionally, the notes payable and leases payable previously recorded in the nonmajor business type activities is now recorded in the government wide activities. The effect of which is as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net Assets - December 31, 2011	\$ 3,730,436	\$ 54,062,353
Prior Period Adjustment	<u>[780,116]</u>	<u>794,697</u>
Net Assets - December 31, 2011, Restated	<u>\$ 2,950,320</u>	<u>\$ 54,857,050</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, 2012, 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, 2012, the City had the following investments:

Investment Type	Maturities	Fair Value
State of Kansas Municipal Investment Pool	< 1 year	\$552,154

*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.

CITY OF JUNCTION CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2012

**4. Deposits and Investments**

*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, 2012, the City's investments were not exposed to custodial credit risk.

**5. Capital Assets**

Capital asset activity for the year ended December 31, 2012 was as follows:

Primary Government:

	<u>Restated 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
Total capital assets not being depreciated	<u>13,732,739</u>	<u>-</u>	<u>-</u>	<u>13,732,739</u>
Capital assets being depreciated:				
Buildings and improvements	19,100,767	49,761	-	19,150,528
Machinery and equipment	8,675,854	856,030	-	9,531,884
Infrastructure	<u>95,905,599</u>	<u>304,350</u>	<u>-</u>	<u>96,209,949</u>
Total capital assets being depreciated	<u>123,682,220</u>	<u>1,210,141</u>	<u>-</u>	<u>124,892,361</u>
Less accumulated depreciation for:				
Buildings and improvements	8,744,596	341,845	-	9,086,441
Machinery and equipment	7,843,146	359,625	-	8,202,771
Infrastructure	<u>34,085,112</u>	<u>2,689,330</u>	<u>-</u>	<u>36,774,442</u>
Total accumulated depreciation	<u>50,672,854</u>	<u>3,390,800</u>	<u>-</u>	<u>54,063,654</u>
Total capital assets being depreciated, net	<u>73,009,366</u>	<u>[2,180,659]</u>	<u>-</u>	<u>70,828,707</u>
Governmental activities capital assets, net	<u>\$ 86,742,105</u>	<u>\$ [2,180,659]</u>	<u>\$ -</u>	<u>\$ 84,561,446</u>

CITY OF JUNCTION CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2012

**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>371,810</u>	<u>-</u>	<u>371,810</u>	<u>-</u>
Total capital assets not being depreciated	<u>982,256</u>	<u>-</u>	<u>371,810</u>	<u>610,446</u>
Capital assets being depreciated:				
Buildings and improvements	26,517,783	-	-	26,517,783
Machinery and equipment	8,235,987	849,457	-	9,085,444
Infrastructure	<u>74,791,178</u>	<u>492,574</u>	<u>-</u>	<u>75,283,752</u>
Total capital assets being depreciated	<u>109,544,948</u>	<u>1,342,031</u>	<u>-</u>	<u>110,886,979</u>
Less accumulated depreciation for:				
Buildings and improvements	7,580,635	481,761	-	8,062,396
Machinery and equipment	6,692,152	306,655	-	6,998,807
Infrastructure	<u>27,319,694</u>	<u>1,286,554</u>	<u>-</u>	<u>28,606,248</u>
Total accumulated depreciation	<u>41,592,481</u>	<u>2,074,970</u>	<u>-</u>	<u>43,667,451</u>
Total capital assets being depreciated, net	<u>67,952,467</u>	<u>[732,939]</u>	<u>-</u>	<u>67,219,528</u>
Business-type activities capital assets, net	<u>\$ 68,934,723</u>	<u>\$ [732,939]</u>	<u>\$ 371,810</u>	<u>\$ 67,829,974</u>

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

Governmental activities:	
General government	\$ 342,259
Public safety	219,643
Public works	2,801,128
Parks and recreation	<u>27,770</u>
Total depreciation expense - governmental activities	<u>\$ 3,390,800</u>
Business-type activities:	
Water and Sewer	\$ 1,695,001
Stormwater	239,673
Nonmajor	<u>140,296</u>
Total depreciation expense - business type activities	<u>\$ 2,074,970</u>

CITY OF JUNCTION CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2012

**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 2012 was 7.34%. The City's employer contributions to KPERs for the years ending December 31, 2012, 2011, and 2010 were \$248,025, \$200,687, and \$174,096, respectively, equal to the statutory required contributions for each year. The City's KP&F uniform participating employer rate established for calendar year 2012 is 16.54%. 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, 2012, 2011, and 2010 were \$811,992, \$726,663, and \$631,891, 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 2012, the City contributed \$13,800 to the plan.

CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2012

**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	\$ 59,272
Interest on Net OPEB Obligation	5,566
Adjustment to Annual Required Contribution	<u>[8,004]</u>
Annual OPEB cost (expense)	56,834
Benefit payments	<u>13,800</u>
Change in net OPEB obligation	43,034
Net OPEB obligation - beginning of year	<u>111,316</u>
Net OPEB obligation - end of year	<u>\$ 154,350</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, 2010	\$ 50,834	\$ 13,800	\$ 71,384	27.15%
December 31, 2011	53,732	13,800	111,316	25.68%
December 31, 2012	56,834	13,800	154,350	24.28%

*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.

CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

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

*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.

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, 2012, industrial revenue bonds of \$25,737,699 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 Ventría Bioscience, Capgemini, Inc., the Junction City Opera House, and Edenspace Systems Corporation. The City has guaranteed IRB's in the form of grant payments with outstanding balances as of December 31, 2012 of \$4,472,979.

CITY OF JUNCTION CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2012

**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

	Balance			Balance		
	January 1, 2012	Adjustment	Additions	Reductions	December 31, 2012	
General obligation bonds	\$ 61,866,529	\$ -	\$ -	\$ 2,518,392	\$ 59,348,137	
Less: deferred amount on refunding	[512,218]	-	-	[26,045]	[486,173]	
Plus: unamortized bond premium	176,072	-	-	12,005	164,067	
Special assessment debt						
with government commitment	60,970,581	-	-	2,440,978	58,529,603	
KDOT Loans Payable	14,497,537	-	-	835,779	13,661,758	
Certificates of Participation	3,625,000	-	-	340,000	3,285,000	
Capital leases payable	749,234	170,589	863,862	417,047	1,366,638	
Notes payable	-	644,916	-	77,102	567,814	
Compensated absences	617,289	-	315,551	441,433	491,407	
Net other postemployment benefit obligation	111,316	-	56,834	13,800	154,350	
	<u>\$ 142,101,340</u>	<u>\$ 815,505</u>	<u>\$ 1,236,247</u>	<u>\$ 7,070,491</u>	<u>\$ 137,082,601</u>	

Business-Type Activities

	Balance		Additions/		Balance	
	January 1, 2012	Adjustment	Adjustments	Reductions	December 31, 2012	
General obligation bonds	\$ 10,765,000	\$ -	\$ -	\$ 965,000	\$ 9,800,000	
Less: deferred amount on refunding	[144,777]	-	-	[31,024]	[113,753]	
Plus: unamortized bond premium	90,563	-	-	12,989	77,574	
Revolving loans payable	7,299,593	-	65,675	579,787	6,785,481	
Notes payable	645,233	[645,233]	-	-	-	
Capital leases payable	167,344	[167,344]	721,888	67,337	654,551	
Compensated absences	30,977	-	-	14,912	16,065	
	<u>\$ 18,853,933</u>	<u>\$ [812,577]</u>	<u>\$ 787,563</u>	<u>\$ 1,609,001</u>	<u>\$ 17,219,918</u>	

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

CITY OF JUNCTION CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2012

**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, 2012 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, 2012</u>
General Obligation Bonds:					
Governmental activities:					
Series 2001-DK	9/1/2011	3.65% to 4.80%	\$ 1,923,010	9/1/2022	\$ 667,840
Series 2003-DL	9/1/2013	2.60% to 4.5%	6,150,000	9/1/2023	3,200,000
Series 2004-DN	9/1/2014	4.00% to 4.75%	4,544,443	9/1/2024	3,407,225
Series 2005-DO	9/1/2015	4.50% to 4.875%	6,000,000	9/1/2025	4,620,000
Series 2007-DP	9/1/2017	4.00% to 5.00%	9,039,606	9/1/2027	7,694,956
Series 2008-DQ	9/1/2018	4.00% to 4.50%	1,320,000	9/1/2028	1,415,000
Series 2008-DR	9/1/2018	5.75% to 6.00%	10,265,000	9/1/2028	9,230,000
Series 2008-DS	anytime	4.125%	382,000	9/15/2028	328,166
Series 2008-DT	9/1/2016	5.25%	1,995,000	9/1/2024	1,709,574
Series 2009-DU	9/1/2019	3.00% to 5.00%	4,222,060	9/1/2014	3,823,009
Series 2010-DW	9/1/2031	2.00% to 4.50%	32,681,738	9/1/2031	14,536,763
Series 2010-DX	9/1/2031	2.40% to 6.20%	5,690,000	9/1/2031	4,470,604
Series 2011A	9/1/2034	4.50% to 5.00%	3,835,000	9/1/2034	3,835,000
Series 2011C	9/1/2026	5.00% to 5.75%	410,000	9/1/2026	410,000
					<u>59,348,137</u>
Business-type activities:					
Series 2007-DP	9/1/2017	4.00% to 5.00%	4,205,000	9/1/2027	3,575,000
Series 2008-DQ	9/1/2018	4.00% to 4.50%	1,950,000	9/1/2028	1,695,000
Series 2009-DV	noncallable	3.00% to 4.00%	5,765,000	9/1/2017	3,705,000
Series 2011B	9/1/2036	5.50%	825,000	9/1/2036	825,000
					<u>9,800,000</u>
					<u>\$ 69,148,137</u>

CITY OF JUNCTION CITY, KANSAS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2012

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

**General Obligation Bonds (Continued)**

The future annual requirements for general obligation bonds outstanding as of December 31, 2012 are as follows:

Year Ending <u>December 31,</u>	Governmental <u>Activities</u>	Business Type <u>Activities</u>
2013	\$ 5,380,207	\$ 1,410,474
2014	5,382,092	1,411,688
2015	5,389,739	1,411,950
2016	5,387,686	1,403,907
2017	5,610,967	1,137,652
2018 - 2022	27,696,490	2,677,632
2023 - 2027	22,163,179	2,677,955
2028- 2032	9,248,517	398,270
2033 - 2036	<u>1,290,000</u>	<u>954,325</u>
Total Principal and Interest	87,548,877	13,483,853
Total Interest	<u>28,200,740</u>	<u>3,683,853</u>
Total Principal	<u>\$ 59,348,137</u>	<u>\$ 9,800,000</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, 2012 are comprised of the following issues:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity Date</u>	<u>Outstanding December 31, 2012</u>
<b>Special Assessment Bonds:</b>				
<b>Governmental activities:</b>				
Series 2001-DK	3.65% to 4.80%	\$ 336,990	9/1/2022	\$ 157,160
Series 2004-DN	4.00% to 4.75%	415,557	9/1/2024	292,775
Series 2007-DP	4.00% to 5.00%	15,185,394	9/1/2027	12,660,044
Series 2009-DU	3.00% to 5.00%	30,057,940	9/1/2029	27,216,991
Series 2010-DW	2.00% to 4.50%	17,984,037	9/1/2031	17,163,237
Series 2010-DX	2.40% to 6.20%	1,073,596	9/1/2031	<u>1,039,396</u>
				<u>\$ 58,529,603</u>

CITY OF JUNCTION CITY, KANSAS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2012

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

**Special Assessment Bonds (Continued)**

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

	Governmental Activities	
	Principal	Interest
2013	\$ 2,495,317	\$ 2,515,493
2014	2,598,784	2,416,382
2015	2,693,158	2,335,000
2016	2,764,983	2,248,634
2017	2,863,806	2,151,540
2018 - 2022	16,139,776	8,934,045
2023 - 2027	19,865,592	5,028,116
2028- 2031	9,108,187	849,398
	\$ 58,529,603	\$ 26,478,608

**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 \$3,617,814.

The following is a schedule of future minimum lease payments for capital leases as of December 31, 2012:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 439,385	\$ 45,710	\$ 141,291	\$ 18,180
2014	381,879	29,765	145,118	14,352
2015	235,411	17,059	149,902	9,568
2016	203,797	8,796	154,208	5,263
2017	94,723	2,506	64,032	907
2018	11,443	289	-	-
	\$ 1,366,638	\$ 104,126	\$ 654,551	\$ 48,270

**Subsequent Event**

The City entered into a lease agreement to purchase golf course equipment on January 3, 2013 for a total balance of \$88,328. The lease has an interest rate of 3.49% with a final maturity date of January 5, 2018.

On July 2, 2013, the City issued \$8,050,000 in general obligation refunding bonds. The interest rates on the bonds range from 2.00% to 3.00%. Semi annual payments on the bonds begin on September 1, 2013 with the final maturity date of September 1, 2024.

CITY OF JUNCTION CITY, KANSAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2012

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

**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 \$147,999 were made in 2012, leaving a total outstanding balance of \$1,592,329 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 \$33,719 were made in 2012, leaving a total outstanding balance of \$406,509 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 \$6,002,166 to finance improvements to the Southwest Wastewater Treatment Plant. Payments of \$264,070 were made in 2012, leaving a total outstanding balance of \$4,550,701 which is shown as a liability in the water/sewer fund.

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 enabled the City to borrow \$406,516 to finance improvements to the water system. The loan is being repaid over twenty years at an interest rate of 3.47%. During 2012, the City made a final draw of \$65,675, received loan forgiveness of \$99,872 and made payments of \$34,128 leaving a total outstanding balance of \$235,942 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 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 \$265,488 were made in 2012, leaving a total outstanding balance of \$1,353,021. 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, 2012

**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%. Payments of \$203,280 were made in 2012, leaving a total outstanding balance of \$4,201,471. 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%. Payments of \$188,961 were made in 2012, leaving a total outstanding balance of \$3,915,967. 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 \$139,693 were made in 2012, leaving a total outstanding balance of \$3,274,505. The loan is shown as a liability in the governmental activities column of the statement of net assets.

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%. Payments of \$4,057 were made in 2012, leaving a total outstanding balance of \$96,744. The loan is shown as a liability in the governmental activities column of the statement of net assets.

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%. Payments of \$18,124 were made in 2012, leaving a total outstanding balance of \$434,577. The loan is shown as a liability in the governmental activities column of the statement of net assets.

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%. Payments of \$16,176 were made in 2012, leaving a total outstanding balance of \$385,473. 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, 2012

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

**Revolving Loans Payable (Continued)**

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

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 871,611	\$ 541,372	\$ 468,925	\$ 202,180
2014	905,873	507,110	483,882	187,271
2015	941,486	471,497	499,151	172,036
2016	978,503	434,480	514,917	156,306
2017	880,699	395,774	531,195	140,064
2018 - 2022	3,917,473	1,507,630	2,683,093	439,375
2023 - 2027	4,753,091	666,068	1,553,021	107,745
2028- 2030	413,022	19,654	51,296	3,164
Total	<u>\$ 13,661,758</u>	<u>\$ 4,543,585</u>	<u>\$ 6,785,481</u>	<u>\$ 1,408,140</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	
	Principal	Interest
2013	\$ 350,000	\$ 135,894
2014	365,000	121,888
2015	380,000	107,288
2016	395,000	92,088
2017	410,000	76,288
2018 - 2022	1,385,000	189,763
	<u>\$ 3,285,000</u>	<u>\$ 723,206</u>

CITY OF JUNCTION CITY, KANSAS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 December 31, 2012

**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 \$77,101 were made in 2012 leaving an outstanding balance of \$567,814. This balance is shown as a liability in the government wide governmental activities statement.

Future maturities of the note payable are as follows:

	Business-type Activities	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 80,608	\$ 24,007
2014	84,321	20,294
2015	88,205	16,410
2016	92,229	12,385
2017	96,516	8,099
2018-2019	<u>125,935</u>	<u>3,849</u>
	<u>\$ 567,814</u>	<u>\$ 85,044</u>

CITY OF JUNCTION CITY, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2012

**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, 2012, 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 [net of allowance] receivable at December 31, 2012 was \$50,338,056.

**12. Interfund Transactions**

Interfund transfers for the year ended December 31, 2012, consisted of the following:

	Transfers		Due to	Due from
	In	Out	Other Funds	Other Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Major funds:				
General Fund	\$ 1,007,306	\$ -	\$ 20,000	\$ 182,738
Capital Improvement Fund	-	-	386,734	-
Other Governmental Funds	-	404,482	182,739	406,734
Capital Project Fund	-	-	-	270,000
Debt Service Fund	850,000	-	-	258,250
Water and Sewer Fund	-	970,000	484,660	-
Stormwater Fund	-	482,500	-	-
Nonmajor funds:				
Other Proprietary Funds	-	324	43,589	-
	<u>\$ 1,857,306</u>	<u>\$ 1,857,306</u>	<u>\$ 1,117,722</u>	<u>\$ 1,117,722</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.

CITY OF JUNCTION CITY, KANSAS  
 OTHER POST-EMPLOYMENT BENEFITS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 December 31, 2012

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%

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.

Rural Housing District -

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.

CITY OF JUNCTION CITY, KANSAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 December 31, 2012

	<u>Economic Development</u>	<u>Utility Charges</u>	<u>Employee Benefits</u>	<u>Library</u>
<b>ASSETS</b>				
Cash and investments	\$ 78,740	\$ -	\$ 131,139	\$ 13,333
Receivables				
Property tax	170,651	-	-	762,592
Accounts	-	374	-	-
Notes	-	-	-	-
Due from other funds	-	-	-	-
<b>Total assets</b>	<u>\$ 249,391</u>	<u>\$ 374</u>	<u>\$ 131,139</u>	<u>\$ 775,925</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 5	\$ -	\$ 6,039	\$ -
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<u>5</u>	<u>-</u>	<u>6,039</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	170,651	-	-	762,592
<b>Total deferred inflows of resources</b>	<u>170,651</u>	<u>-</u>	<u>-</u>	<u>762,592</u>
Fund balance:				
Restricted	78,735	-	-	-
Committed	-	374	125,100	13,333
Unassigned	-	-	-	-
<b>Total fund balance [deficit]</b>	<u>78,735</u>	<u>374</u>	<u>125,100</u>	<u>13,333</u>
<b>Total liabilities, deferred inflows of Resources and fund balances</b>	<u>\$ 249,391</u>	<u>\$ 374</u>	<u>\$ 131,139</u>	<u>\$ 775,925</u>

See independent auditor's report on the financial statements.

CITY OF JUNCTION CITY, KANSAS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS (Continued)  
 December 31, 2012

	<u>Special Highway</u>	<u>Fire Equipment</u>	<u>Drug and Alcohol</u>	<u>Military Affairs</u>
<b>ASSETS</b>				
Cash and investments	\$ 486,655	\$ 151,825	\$ 132,492	\$ -
Receivables				
Property tax	-	129,949	-	-
Accounts	-	-	-	-
Notes	-	-	-	26,999
Due from other funds	<u>386,734</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 873,389</u>	<u>\$ 281,774</u>	<u>\$ 132,492</u>	<u>\$ 26,999</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 16	\$ 9,999	\$ 143	\$ 152
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>122</u>
<b>Total liabilities</b>	<u>16</u>	<u>9,999</u>	<u>143</u>	<u>274</u>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - property taxes	<u>-</u>	<u>129,949</u>	<u>-</u>	<u>-</u>
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>129,949</u>	<u>-</u>	<u>-</u>
<b>Fund balance:</b>				
Restricted	873,373	141,826	132,349	-
Committed	-	-	-	26,725
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total fund balance [deficit]</b>	<u>873,373</u>	<u>141,826</u>	<u>132,349</u>	<u>26,725</u>
<b>Total liabilities, deferred inflows of Resources and fund balances</b>	<u>\$ 873,389</u>	<u>\$ 281,774</u>	<u>\$ 132,492</u>	<u>\$ 26,999</u>

<u>Sundown Salute</u>	<u>Revolving Loans</u>	<u>Grants</u>	<u>Rural Housing District</u>	<u>Law Enforcement Trust</u>	<u>Totals</u>
\$ 721	\$ 400,362	\$ -	\$ -	\$ 271,443	\$ 1,666,710
-	-	-	-	-	1,063,192
242	341,902	1,424	-	-	343,942
-	-	-	-	-	26,999
-	-	20,000	-	-	406,734
<u>\$ 963</u>	<u>\$ 742,264</u>	<u>\$ 21,424</u>	<u>\$ -</u>	<u>\$ 271,443</u>	<u>\$ 3,507,577</u>

\$ 459	\$ 4,533	\$ 3,708	\$ -	\$ 8,768	\$ 33,822
-	-	182,617	-	-	182,739
<u>459</u>	<u>4,533</u>	<u>186,325</u>	<u>-</u>	<u>8,768</u>	<u>216,561</u>

-	-	-	-	-	1,063,192
-	-	-	-	-	1,063,192

-	737,731	-	-	262,675	2,226,689
504	-	-	-	-	166,036
-	-	[164,901]	-	-	[164,901]
<u>504</u>	<u>737,731</u>	<u>[164,901]</u>	<u>-</u>	<u>262,675</u>	<u>2,227,824</u>

<u>\$ 963</u>	<u>\$ 742,264</u>	<u>\$ 21,424</u>	<u>\$ -</u>	<u>\$ 271,443</u>	<u>\$ 3,507,577</u>
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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, 2012

	<u>Economic Development</u>	<u>Utility Charges</u>	<u>Employee Benefits</u>	<u>Library</u>
Revenues				
Taxes	\$ 180,937	\$ 85,923	\$ 493,205	\$ 851,854
Intergovernmental	-	-	-	-
Use of money and property	-	-	-	-
Miscellaneous	-	-	163,383	27,337
Total revenues	<u>180,937</u>	<u>85,923</u>	<u>656,588</u>	<u>879,191</u>
Expenditures				
General government	-	-	379,861	845,024
Public safety	-	-	-	-
Public works	-	2,738	-	-
Recreation	-	-	-	-
Economic development	173,532	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>173,532</u>	<u>2,738</u>	<u>379,861</u>	<u>845,024</u>
Excess [deficiency] of revenues over [under] expenditures	<u>7,405</u>	<u>83,185</u>	<u>276,727</u>	<u>34,167</u>
Other financing sources [uses]				
Transfer [out]	-	[3,481]	-	-
Total other financing sources [uses]	<u>-</u>	<u>[3,481]</u>	<u>-</u>	<u>-</u>
Net change in fund balance	7,405	79,704	276,727	34,167
Fund balances, beginning of the year	<u>71,330</u>	<u>[79,330]</u>	<u>[151,627]</u>	<u>[20,834]</u>
Fund balance, end of year	<u>\$ 78,735</u>	<u>\$ 374</u>	<u>\$ 125,100</u>	<u>\$ 13,333</u>

See independent auditor's report on the financial statements.

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, 2012

	Special Highway	Fire Equipment	Drug and Alcohol	Military Affairs	Sundown Salute
Revenues					
Taxes	\$ -	\$ 150,610	\$ 83,860	\$ -	\$ -
Intergovernmental	613,680	-	-	-	-
Interest income	-	-	-	-	-
Miscellaneous	-	50	-	-	5,573
Total revenues	<u>613,680</u>	<u>150,660</u>	<u>83,860</u>	<u>-</u>	<u>5,573</u>
Expenditures					
General government	-	-	-	-	-
Public safety	-	41,836	71,553	-	-
Public works	136,950	-	-	-	-
Recreation	-	-	-	-	6,047
Economic development	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>136,950</u>	<u>41,836</u>	<u>71,553</u>	<u>-</u>	<u>6,047</u>
Excess [deficiency] of revenues over [under] expenditures	<u>476,730</u>	<u>108,824</u>	<u>12,307</u>	<u>-</u>	<u>[474]</u>
Other financing sources [uses]					
Transfer [out]	<u>[400,000]</u>	<u>-</u>	<u>-</u>	<u>[1,001]</u>	<u>-</u>
Total other financing sources [uses]	<u>[400,000]</u>	<u>-</u>	<u>-</u>	<u>[1,001]</u>	<u>-</u>
Net change in fund balance	76,730	108,824	12,307	[1,001]	[474]
Fund balances, beginning of the year	<u>796,643</u>	<u>33,002</u>	<u>120,042</u>	<u>27,726</u>	<u>978</u>
Fund balance, end of year	<u>\$ 873,373</u>	<u>\$ 141,826</u>	<u>\$ 132,349</u>	<u>\$ 26,725</u>	<u>\$ 504</u>

<u>Revolving Loans</u>	<u>Grants</u>	<u>Rural Housing District</u>	<u>Law Enforcement Trust</u>	<u>Totals</u>
\$ -	\$ -	\$ 349,776	\$ -	\$ 2,196,165
-	382,883	-	-	996,563
-	-	630	-	630
<u>13,847</u>	<u>-</u>	<u>-</u>	<u>179,909</u>	<u>390,099</u>
<u>13,847</u>	<u>382,883</u>	<u>350,406</u>	<u>179,909</u>	<u>3,583,457</u>
-	-	-	-	1,224,885
-	68,581	-	180,553	362,523
-	460,147	-	-	599,835
-	-	-	-	6,047
1,095	-	-	-	174,627
-	32,427	-	-	32,427
-	-	274,912	-	274,912
-	-	75,494	-	75,494
<u>1,095</u>	<u>561,155</u>	<u>350,406</u>	<u>180,553</u>	<u>2,750,750</u>
<u>12,752</u>	<u>[178,272]</u>	<u>-</u>	<u>[644]</u>	<u>832,707</u>
-	-	-	-	[404,482]
-	-	-	-	[404,482]
12,752	[178,272]	-	[644]	428,225
<u>724,979</u>	<u>13,371</u>	<u>-</u>	<u>263,319</u>	<u>1,799,599</u>
<u>\$ 737,731</u>	<u>\$ [164,901]</u>	<u>\$ -</u>	<u>\$ 262,675</u>	<u>\$ 2,227,824</u>

See independent auditor's report on the financial statements.

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, 2012

	Actual	Budgeted Amounts		Variance with
		Original	Final	Final Budget Positive [Negative]
Revenues				
Taxes	\$ 6,076,330	\$ 6,275,524	\$ 6,275,524	\$ [199,194]
Special assessments	2,900,364	1,900,000	1,900,000	1,000,364
Sales tax	3,787,003	3,600,000	3,600,000	187,003
Use of money and property	523,236	538,492	538,492	[15,256]
Miscellaneous revenues	210,000	150,000	150,000	60,000
Total revenues	<u>13,496,933</u>	<u>12,464,016</u>	<u>12,464,016</u>	<u>1,032,917</u>
Expenditures				
Debt service				
Principal	5,860,237	14,375,953	14,375,953	8,515,716
Interest and other charges	6,242,097	-	-	[6,242,097]
Payments on contractual obligations	1,855,634	-	-	[1,855,634]
Neighborhood revitalization	450,032	213,547	213,547	[236,485]
Other	131,685	546,500	546,500	414,815
Total expenditures	<u>14,539,685</u>	<u>15,136,000</u>	<u>15,136,000</u>	<u>596,315</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[1,042,752]</u>	<u>[2,671,984]</u>	<u>[2,671,984]</u>	<u>1,629,232</u>
Other financing sources [uses]				
Transfer in	850,000	850,000	850,000	-
Total other financing sources	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>	<u>-</u>
Net change in fund balance	<u>[192,752]</u>	<u>[1,821,984]</u>	<u>[1,821,984]</u>	<u>1,629,232</u>
Fund balance, beginning	2,557,895	-	-	2,557,895
Prior period adjustment	[8,718]	-	-	[8,718]
Fund balance, beginning, restated	<u>2,549,177</u>	<u>-</u>	<u>-</u>	<u>2,549,177</u>
Fund balance, ending	<u>\$ 2,356,425</u>	<u>\$ [1,821,984]</u>	<u>\$ [1,821,984]</u>	<u>\$ 4,178,409</u>

See independent auditor's report on the financial statements.

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, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes	\$ 180,937	\$ 186,110	\$ 186,110	\$ [5,173]
Intergovernmental	-	106,000	106,000	-
Total revenues	<u>180,937</u>	<u>292,110</u>	<u>292,110</u>	<u>[5,173]</u>
Expenditures				
Personal services	-	185,381	185,381	185,381
Contractual services	171,054	122,846	122,846	[48,208]
Commodities	2,478	4,500	4,500	2,022
Capital outlay	-	4,400	4,400	4,400
Neighborhood revitalization	-	13,770	13,770	13,770
Total expenditures	<u>173,532</u>	<u>330,897</u>	<u>330,897</u>	<u>157,365</u>
Net change in fund balances	7,405	[38,787]	[38,787]	46,192
Fund balance, beginning	<u>71,330</u>	-	-	<u>71,330</u>
Fund balance, ending	<u>\$ 78,735</u>	<u>\$ [38,787]</u>	<u>\$ [38,787]</u>	<u>\$ 117,522</u>

See independent auditor's report on the financial statements.

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, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes	\$ 85,923	\$ 45,610	\$ 103,913	\$ [17,990]
Total revenues	<u>85,923</u>	<u>45,610</u>	<u>103,913</u>	<u>[17,990]</u>
Expenditures				
Contractual services	2,738	3,232	3,232	494
Transfer out	<u>3,481</u>	<u>-</u>	<u>-</u>	<u>[3,481]</u>
Total expenditures	<u>6,219</u>	<u>3,232</u>	<u>3,232</u>	<u>[2,987]</u>
Net change in fund balances	79,704	42,378	100,681	[20,977]
Fund balance, beginning	<u>[79,330]</u>	<u>-</u>	<u>-</u>	<u>[79,330]</u>
Fund balance, ending	<u>\$ 374</u>	<u>\$ 42,378</u>	<u>\$ 100,681</u>	<u>\$ [100,307]</u>

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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, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive <u>[Negative]</u>
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes	\$ 493,205	\$ 429,501	\$ 493,204	\$ 1
Miscellaneous revenues	<u>166,095</u>	<u>-</u>	<u>153,975</u>	<u>12,120</u>
Total revenues	<u>659,300</u>	<u>429,501</u>	<u>647,179</u>	<u>12,121</u>
Expenditures				
Personnel services	285,129	32,677	233,000	[52,129]
Contractual services	94,732	170,000	170,000	75,268
Neighborhood revitalization	<u>-</u>	<u>47,918</u>	<u>28,100</u>	<u>28,100</u>
Total expenditures	<u>379,861</u>	<u>250,595</u>	<u>431,100</u>	<u>51,239</u>
Net change in fund balances	279,439	<u>\$ 178,906</u>	<u>\$ 216,079</u>	<u>\$ 63,360</u>
Budgetary basis				
Fund balance, beginning	<u>[154,339]</u>			
Budgetary basis fund balance, ending	125,100			
GAAP Adjustments:				
Accounts Receivable	<u>-</u>			
Fund balance, ending	<u>\$ 125,100</u>			

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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, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive <u>[Negative]</u>
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes	\$ 851,854	\$ 856,019	\$ 851,854	\$ -
Miscellaneous	<u>27,337</u>	<u>-</u>	<u>27,337</u>	<u>-</u>
Total revenues	<u>879,191</u>	<u>856,019</u>	<u>879,191</u>	<u>-</u>
Expenditures				
Contractual services	<u>845,024</u>	<u>819,400</u>	<u>858,357</u>	<u>13,333</u>
Total expenditures	<u>845,024</u>	<u>819,400</u>	<u>858,357</u>	<u>13,333</u>
Net change in fund balances	34,167	36,619	20,834	13,333
Fund balance, beginning	<u>[20,834]</u>	<u>-</u>	<u>-</u>	<u>[20,834]</u>
Fund balance, ending	<u>\$ 13,333</u>	<u>\$ 36,619</u>	<u>\$ 20,834</u>	<u>\$ [7,501]</u>

See independent auditor's report on the financial statements.

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, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Intergovernmental	\$ 613,680	\$ 490,370	\$ 490,370	\$ 123,310
Total revenues	<u>613,680</u>	<u>490,370</u>	<u>490,370</u>	<u>123,310</u>
Expenditures				
Contractual services	<u>136,950</u>	<u>295,000</u>	<u>295,000</u>	<u>158,050</u>
Total expenditures	<u>136,950</u>	<u>295,000</u>	<u>295,000</u>	<u>158,050</u>
Excess [deficiency] of revenues over [under] expenditures	<u>476,730</u>	<u>195,370</u>	<u>195,370</u>	<u>281,360</u>
Other financing sources [uses]				
Transfer out	<u>[400,000]</u>	<u>[400,000]</u>	<u>[400,000]</u>	<u>-</u>
Total other financing sources [uses]	<u>[400,000]</u>	<u>[400,000]</u>	<u>[400,000]</u>	<u>-</u>
Net change in fund balances	76,730	[204,630]	[204,630]	281,360
Fund balance, beginning	<u>796,643</u>	<u>-</u>	<u>-</u>	<u>796,643</u>
Fund balance, ending	<u>\$ 873,373</u>	<u>\$ [204,630]</u>	<u>\$ [204,630]</u>	<u>\$ 1,078,003</u>

See independent auditor's report on the financial statements.

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, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes	\$ 150,610	\$ 152,292	\$ 152,292	\$ [1,682]
Miscellaneous revenues	50	-	-	50
Total revenues	<u>150,660</u>	<u>152,292</u>	<u>152,292</u>	<u>[1,632]</u>
Expenditures				
Commodities	31,301	10,000	10,000	[21,301]
Contractual	10,535	133,500	133,500	122,965
Capital outlay	-	10,694	10,694	10,694
Total expenditures	<u>41,836</u>	<u>154,194</u>	<u>154,194</u>	<u>112,358</u>
Net change in fund balances	108,824	[1,902]	[1,902]	110,726
Fund balance, beginning	<u>33,002</u>	-	-	<u>33,002</u>
Fund balance, ending	<u>\$ 141,826</u>	<u>\$ [1,902]</u>	<u>\$ [1,902]</u>	<u>\$ 143,728</u>

See independent auditor's report on the financial statements.

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, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Taxes	\$ 83,860	\$ 85,410	\$ 85,410	\$ [1,550]
Total revenues	<u>83,860</u>	<u>85,410</u>	<u>85,410</u>	<u>[1,550]</u>
Expenditures				
Personnel services	70,147	67,359	67,359	[2,788]
Commodities	-	10,000	10,000	10,000
Contractual services	<u>1,406</u>	<u>40,000</u>	<u>40,000</u>	<u>38,594</u>
Total expenditures	<u>71,553</u>	<u>117,359</u>	<u>117,359</u>	<u>45,806</u>
Net change in fund balances	12,307	[31,949]	[31,949]	44,256
Fund balance, beginning	<u>120,042</u>	<u>-</u>	<u>-</u>	<u>120,042</u>
Fund balance, ending	<u>\$ 132,349</u>	<u>\$ [31,949]</u>	<u>\$ [31,949]</u>	<u>\$ 164,298</u>

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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, 2012

	<u>Actual</u>	<u>Budgeted Amounts</u>		Variance with Final Budget Positive [Negative]
		<u>Original</u>	<u>Final</u>	
Revenues				
Miscellaneous revenues	\$ 179,909	\$ 148,000	\$ 160,000	\$ 19,909
Total revenues	<u>179,909</u>	<u>148,000</u>	<u>160,000</u>	<u>19,909</u>
Expenditures				
Personnel services	18,624	18,382	18,382	[242]
Commodities	159,634	148,000	350,000	190,366
Contractual services	<u>2,295</u>	<u>-</u>	<u>-</u>	<u>[2,295]</u>
Total expenditures	<u>180,553</u>	<u>166,382</u>	<u>368,382</u>	<u>187,829</u>
Net change in fund balance	[644]	[18,382]	[208,382]	207,738
Fund balance, beginning	<u>263,319</u>	<u>-</u>	<u>-</u>	<u>263,319</u>
Fund balance, ending	<u>\$ 262,675</u>	<u>\$ [18,382]</u>	<u>\$ [208,382]</u>	<u>\$ 471,057</u>

See independent auditor's report on the financial statements.

CITY OF JUNCTION CITY, KANSAS  
NONMAJOR PROPRIETARY FUNDS

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

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

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

CITY OF JUNCTION CITY, KANSAS

COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
December 31, 2012

	Rolling Hills Golf	Spin City Skating	Sanitation	Total Nonmajor Proprietary Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ -	\$ 28,454	\$ 146,605	\$ 175,059
Receivables (net of allowance for uncollectibles)				
Accounts	-	-	178,577	178,577
Total current assets	-	28,454	325,182	353,636
Capital assets:				
Nondepreciable capital assets:				
Land	-	167,884	-	167,884
Depreciable capital assets:				
Capital assets	-	1,298,643	985,297	2,283,940
Less: accumulated depreciation	-	[208,106]	[441,780]	[649,886]
Total capital assets	-	1,258,421	543,517	1,801,938
Total assets	\$ -	\$ 1,286,875	\$ 868,699	\$ 2,155,574
Liabilities:				
Current liabilities				
Accounts payable	\$ 324	\$ 14,059	\$ 40,150	\$ 54,533
Accrued payroll	-	2,676	5,358	8,034
Total current liabilities	324	16,735	45,508	62,567
Noncurrent liabilities:				
Leases payable	-	-	556,707	556,707
Due to other funds	-	43,589	-	43,589
Total noncurrent liabilities	-	43,589	556,707	600,296
Total liabilities	\$ 324	\$ 60,324	\$ 602,215	\$ 662,863
Net Position				
Invested in capital assets, net of related debt	\$ -	\$ 1,258,421	\$ [13,190]	\$ 1,245,231
Unrestricted	[324]	[31,870]	279,674	247,480
Total net position	\$ [324]	\$ 1,226,551	\$ 266,484	\$ 1,492,711

See independent auditor's report on the financial statements.

CITY OF JUNCTION CITY, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
For the Year Ended December 31, 2012

	Rolling Hills Golf	Spin City Skating	Sanitation	Total Nonmajor Proprietary Funds
Operating revenues				
Charges for services	\$ -	\$ 143,203	\$ 1,461,004	\$ 1,604,207
Miscellaneous	-	70,639	28,483	99,122
Total operating revenues	-	213,842	1,489,487	1,703,329
Operating expenses				
Personal services	-	127,442	205,199	332,641
Commodities	-	24,138	72,138	96,276
Contractual services	-	64,391	892,590	956,981
Depreciation	-	41,621	98,675	140,296
Total operating expenses	-	257,592	1,268,602	1,526,194
Operating income [loss]	-	[43,750]	220,885	177,135
Nonoperating revenues [expenses]				
Interest expense	-	-	-	-
Total nonoperating revenues [expenses]	-	-	-	-
Income [loss] before transfers	-	[43,750]	220,885	177,135
Transfers from [to] other funds				
Transfers [out]	[324]	-	-	[324]
Total transfers	[324]	-	-	[324]
Change in net position	[324]	[43,750]	220,885	176,811
Net position, January 1	6,339	616,350	45,599	668,288
Prior period adjustment	[6,339]	653,951	-	647,612
Net position, January 1, beginning	-	1,270,301	45,599	1,315,900
Net position, December 31	\$ [324]	\$ 1,226,551	\$ 266,484	\$ 1,492,711

See independent auditor's report on the financial statements.

CITY OF JUNCTION CITY, KANSAS  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR PROPRIETARY FUNDS  
 For the Year Ended December 31, 2012

	Rolling Hills Golf	Spin City Skating	Sanitation	Total Nonmajor Proprietary Funds
Cash flows from operating activities				
Cash received from customers and users	\$ -	\$ 143,203	\$ 1,465,358	\$ 1,608,561
Cash paid to suppliers of goods and services	-	[67,278]	[1,035,389]	[1,102,667]
Cash paid to employees	-	[126,413]	[199,841]	[326,254]
Other operating receipts	-	70,639	28,483	99,122
Net cash provided by [used in] operating activities	-	20,151	258,611	278,762
Cash flows from capital and related financing activities				
Principal payments - capital lease	-	-	[56,928]	[56,928]
Proceeds - capital lease	-	-	613,635	613,635
Purchase and construction of capital assets	-	-	[630,728]	[630,728]
Net cash provided by [used in] capital and related financing activities	-	-	[74,021]	[74,021]
Cash flows from noncapital financing activities				
Increase in due to	-	8,303	[37,985]	[29,682]
Net decrease in cash and cash equivalent	-	28,454	146,605	175,059
Cash and cash equivalents, beginning	500	-	-	500
Prior period adjustment	[500]	-	-	[500]
Cash and cash equivalents, beginning, restated	-	-	-	-
Cash and cash equivalents, ending	\$ -	\$ 28,454	\$ 146,605	\$ 175,059

See independent auditor's report on the financial statements.

CITY OF JUNCTION CITY, KANSAS  
 COMBINING STATEMENT OF CASH FLOWS  
 NONMAJOR PROPRIETARY FUNDS (Continued)  
 For the Year Ended December 31, 2012

	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]	\$ -	\$ [43,750]	\$ 220,885	\$ 177,135
Net cash provided by [used in] operating activities				
Depreciation expense	-	41,621	98,675	140,296
[Increase] decrease in accounts receivable	-	-	4,354	4,354
Increase [decrease] in accounts payable	-	21,251	[70,661]	[49,410]
Increase [decrease] in accrued wages	-	1,029	5,358	6,387
Net cash provided by [used in] operating activities	<u>\$ -</u>	<u>\$ 20,151</u>	<u>\$ 258,611</u>	<u>\$ 278,762</u>

See independent auditor's report on the financial statements.

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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 TEN FISCAL YEARS (1)  
(Accrual Basis of Accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities</b>										
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]	\$ [54,665,937]	\$ [51,875,398]
Restricted	596,109	3,163,573	5,091,216	5,490,971	7,463,306	12,160,233	43,671,684	45,735,080	49,923,874	49,923,152
Unrestricted	879,516	1,348,088	[7,690,663]	[8,172,358]	[5,960,530]	[1,115,780]	955,894	3,481,307	8,472,499	10,048,563
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]	\$ 3,730,436	\$ 8,096,317
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 11,024,079	\$ 10,895,824	\$ 10,820,847	\$ 11,481,933	\$ 11,613,184	\$ 18,203,507	\$ 51,968,838	\$ 51,460,342	\$ 50,146,497	\$ 50,626,121
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	3,915,856	6,123,942
Total business-type activities net assets	\$ 12,165,678	\$ 11,800,650	\$ 11,235,383	\$ 10,996,940	\$ 11,341,415	\$ 17,718,336	\$ 51,429,358	\$ 52,530,479	\$ 54,062,353	\$ 56,750,063
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 21,032,215	\$ 18,884,187	\$ 19,099,873	\$ 18,579,819	\$ 16,119,240	\$ 12,920,520	\$ 5,213,783	\$ [726,797]	\$ [4,519,440]	\$ [1,249,277]
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	49,923,874	49,923,152
Unrestricted	1,501,922	1,857,764	[7,482,486]	[8,657,351]	[6,232,299]	[1,600,951]	416,414	4,551,444	12,388,355	16,172,505
Total primary government net assets	\$ 23,649,439	\$ 24,300,674	\$ 16,914,962	\$ 15,413,439	\$ 17,350,247	\$ 23,479,802	\$ 49,301,881	\$ 49,559,727	\$ 57,792,789	\$ 64,846,380

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<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	\$ 3,216,686	\$ 2,972,338
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	8,094,613	7,466,537
Public works	7,899,529	3,188,705	4,560,855	5,059,327	8,488,528	10,081,261	9,097,814	8,924,171	4,756,348	6,220,145
Culture and recreation	1,041,569	1,173,781	1,580,500	1,695,816	2,060,490	1,744,522	1,005,475	654,829	1,030,077	1,414,550
Economic Development	-	-	-	-	-	-	238,548	742,266	735,663	975,815
Public health and sanitation	-	-	-	-	-	-	-	1,134,918	1,803,697	2,034,862
Payments on other obligations (see note)	-	-	-	-	-	-	-	-	1,516,382	1,855,634
Interest long term debt	-	-	-	-	-	-	6,210,775	5,721,931	6,698,600	6,771,428
<b>Total governmental expenses</b>	<b>18,492,754</b>	<b>15,380,978</b>	<b>23,835,077</b>	<b>20,669,915</b>	<b>24,067,243</b>	<b>31,182,226</b>	<b>30,672,368</b>	<b>29,273,664</b>	<b>27,852,056</b>	<b>29,711,109</b>
<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	7,356,961	7,207,927
Rolling hills golf	561,998	555,660	525,259	523,165	543,841	548,355	555,128	477,042	332,836	-
Sanitation	779,359	806,518	1,026,459	835,574	935,241	1,005,900	1,236,329	1,366,544	1,440,358	1,268,602
Internal Services	266,589	21,755	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	253,430	246,341	408,349	462,200
Spin City skating	-	-	-	-	-	230,156	233,779	192,967	179,062	257,592
<b>Total business-type activities expenses</b>	<b>5,597,263</b>	<b>6,957,963</b>	<b>7,395,576</b>	<b>7,259,562</b>	<b>7,988,292</b>	<b>8,274,381</b>	<b>9,818,995</b>	<b>9,493,577</b>	<b>9,717,566</b>	<b>9,196,321</b>
<b>Total primary government expenses</b>	<b>\$ 24,090,017</b>	<b>\$ 22,338,941</b>	<b>\$ 31,230,653</b>	<b>\$ 27,929,477</b>	<b>\$ 32,055,535</b>	<b>\$ 39,456,607</b>	<b>\$ 40,591,363</b>	<b>\$ 38,767,241</b>	<b>\$ 37,569,622</b>	<b>\$ 38,907,430</b>
<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	\$ 3,032,305	\$ 3,693,576
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	383,903	2,335,515	3,627,056	1,669,496	1,626,703	1,634,111
Other	563,990	2,163,105	1,818,957	1,407,233	1,896,914	451,597	-	-	-	-
Capital grants and contributions	-	-	59,426	5,560	4,385,178	5,749,283	33,674,775	4,875,055	6,432,843	2,518,706
<b>Total governmental activities program revenues</b>	<b>5,326,777</b>	<b>4,989,194</b>	<b>5,124,073</b>	<b>5,808,556</b>	<b>9,973,376</b>	<b>11,165,877</b>	<b>39,394,962</b>	<b>9,049,587</b>	<b>11,091,851</b>	<b>7,846,393</b>
<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	8,527,278	9,747,283
Rolling hills golf	559,882	555,660	582,748	512,630	514,797	534,189	487,340	437,633	378,200	-
Sanitation	837,565	806,518	1,025,920	834,419	899,013	972,972	1,331,658	1,263,252	1,457,127	1,461,004
Storm water	-	-	-	-	-	-	464,447	722,161	836,450	781,779
Spin City skating	-	-	-	-	-	234,871	173,469	167,643	143,004	143,203
Capital grants and contributions	-	-	-	-	-	-	812,477	-	-	-
<b>Total business-type activities program revenues</b>	<b>6,505,335</b>	<b>6,936,208</b>	<b>6,880,209</b>	<b>7,459,381</b>	<b>8,332,767</b>	<b>8,690,117</b>	<b>10,223,571</b>	<b>10,448,340</b>	<b>11,342,059</b>	<b>12,133,269</b>
<b>Total primary government program revenues</b>	<b>\$ 11,832,112</b>	<b>\$ 11,925,402</b>	<b>\$ 12,004,282</b>	<b>\$ 13,267,937</b>	<b>\$ 18,306,143</b>	<b>\$ 19,855,994</b>	<b>\$ 49,608,533</b>	<b>\$ 19,497,927</b>	<b>\$ 22,433,910</b>	<b>\$ 19,979,662</b>
<b>Net (Expense) Revenue</b>										
Governmental activities	\$ [13,165,977]	\$ [10,391,784]	\$ [18,711,004]	\$ [14,861,359]	\$ [14,093,867]	\$ [20,016,348]	\$ 8,712,594	\$ [20,224,077]	\$ [16,780,205]	\$ [21,864,716]
Business-type activities	908,072	[21,755]	[515,367]	199,819	344,475	415,736	304,576	954,763	1,624,493	2,936,948
<b>Total primary government net expense</b>	<b>\$ [12,257,905]</b>	<b>\$ [10,413,539]</b>	<b>\$ [19,226,371]</b>	<b>\$ [14,661,540]</b>	<b>\$ [13,749,392]</b>	<b>\$ [19,600,613]</b>	<b>\$ 9,017,170</b>	<b>\$ [19,269,314]</b>	<b>\$ [15,155,712]</b>	<b>\$ [18,927,768]</b>
<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	\$ 9,027,993	\$ 9,937,833
Sales taxes	3,884,052	4,434,424	4,523,234	5,581,003	5,811,908	6,109,101	6,194,501	6,790,642	10,578,965	10,915,013
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	1,769,991	1,833,692
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	15,537	16,406
Investment earnings	25,474	20,239	91,918	154,840	-	-	78,974	487,162	115,395	586,731
Miscellaneous	-	-	-	-	-	-	15,575	1,226,273	1,564,746	2,268,414
Transfers	330,810	60,000	50,000	438,262	-	1,950,000	1,122,955	159,000	389,185	1,452,824
<b>Total governmental activities</b>	<b>10,949,534</b>	<b>11,486,654</b>	<b>11,890,559</b>	<b>13,598,279</b>	<b>14,717,900</b>	<b>17,205,073</b>	<b>17,448,554</b>	<b>19,380,999</b>	<b>23,461,812</b>	<b>27,010,713</b>
<b>Business-type activities</b>										
Miscellaneous	-	-	-	-	-	-	212	305,358	266,566	408,889
Transfers	[330,810]	[60,000]	[50,000]	[438,262]	-	[1,950,000]	[1,122,955]	[159,000]	[389,185]	[1,452,824]
<b>Total business-type activities</b>	<b>[330,810]</b>	<b>[60,000]</b>	<b>[50,000]</b>	<b>[438,262]</b>	<b>-</b>	<b>[1,950,000]</b>	<b>[1,122,743]</b>	<b>146,358</b>	<b>[92,619]</b>	<b>[1,043,935]</b>
<b>Total primary government</b>	<b>\$ 10,618,724</b>	<b>\$ 11,426,654</b>	<b>\$ 11,840,559</b>	<b>\$ 13,160,017</b>	<b>\$ 14,717,900</b>	<b>\$ 15,255,073</b>	<b>\$ 16,325,811</b>	<b>\$ 19,527,357</b>	<b>\$ 23,369,193</b>	<b>\$ 25,966,778</b>
<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]	\$ 6,701,607	\$ 5,145,997
Business-type activities	577,262	[81,755]	[565,367]	[238,443]	344,475	[1,534,264]	[818,167]	1,101,121	1,531,874	1,893,013
<b>Total primary government</b>	<b>\$ [1,639,181]</b>	<b>\$ 1,013,115</b>	<b>\$ [7,385,812]</b>	<b>\$ [1,501,523]</b>	<b>\$ 968,508</b>	<b>\$ [4,345,540]</b>	<b>\$ 25,342,981</b>	<b>\$ 258,043</b>	<b>\$ 8,233,481</b>	<b>\$ 7,039,010</b>

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Fund</b>										
Unassigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,993,315	\$ 4,808,908
Reserved	1,269,607	689,314	1,193,484	1,036,113	1,713,029	1,205,385	-	-	-	-
Unreserved	164,811	835,344	8,782	375,742	98,778	101,189	962,602	1,190,569	-	-
<b>Total general fund</b>	<b>\$ 1,434,418</b>	<b>\$ 1,524,658</b>	<b>\$ 1,202,266</b>	<b>\$ 1,411,855</b>	<b>\$ 1,811,807</b>	<b>\$ 1,306,574</b>	<b>\$ 962,602</b>	<b>\$ 1,190,569</b>	<b>\$ 3,993,315</b>	<b>\$ 4,808,908</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 359,723	\$ 108,522	\$ 125,697	\$ 5,571,794	\$ 9,358,890	\$ 951,261	\$ 463,353	\$ -	\$ 5,051,315	\$ 5,223,204
Restricted	-	-	-	-	-	-	-	-	28,704	297,329
Committed	-	-	-	-	-	-	-	-	[938,126]	[164,901]
Unassigned	-	-	-	-	-	-	-	-	-	-
Unreserved, reported to:										
Special revenue funds	471,926	865,503	[448,754]	236,844	[3,149,811]	309,477	[828,373]	605,269	-	-
Capital projects funds	[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	[235,540]	218,418	[63]	460	963,655	435,817	-	2,050,646	-	-
<b>Total all other governmental funds</b>	<b>\$ [3,316,369]</b>	<b>\$ 3,529,762</b>	<b>\$ 3,675,902</b>	<b>\$ 11,794,600</b>	<b>\$ 7,463,306</b>	<b>\$ [3,510,743]</b>	<b>\$ 990,107</b>	<b>\$ 1,730,869</b>	<b>\$ 4,141,893</b>	<b>\$ 5,355,632</b>

(UNAUDITED)

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$ 10,329,741	\$ 11,289,455	\$ 11,744,704	\$ 12,936,838	\$ 14,662,708	\$ 15,480,091	\$ 16,231,050	\$ 17,508,564	\$ 21,392,486	\$ 22,702,744
Licenses and permits	169,374	140,477	223,760	852,683	756,896	300,193	357,056	338,229	372,856	335,164
Intergovernmental	1,029,484	1,169,722	1,456,216	1,448,602	1,881,970	5,648,140	4,581,294	1,812,306	1,626,703	1,694,111
Charges for service	702,402	483,906	651,983	906,029	558,398	916,784	869,244	1,250,530	1,688,547	2,096,503
Fines and forfeitures	694,640	649,291	557,812	561,542	665,595	807,395	866,831	916,275	970,902	1,261,909
Special assessments	439,483	261,768	203,935	194,266	242,965	987,788	1,174,124	1,845,972	2,258,286	2,900,364
Use of money and property	25,474	20,239	91,918	154,840	968,300	65,441	78,974	487,162	115,395	566,731
Miscellaneous	2,159,833	2,970,434	1,058,314	1,646,183	1,469,300	1,901,684	847,308	1,226,273	1,558,744	2,268,414
<b>Total revenues</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>24,995,981</b>	<b>25,385,311</b>	<b>29,983,919</b>	<b>33,785,940</b>
<b>Expenditures</b>										
General government	4,435,616	4,618,841	11,657,238	5,783,577	6,504,762	6,046,231	5,867,437	4,751,387	2,916,596	2,630,079
Public safety	5,040,180	5,492,368	5,581,258	6,256,968	6,736,805	7,043,074	7,528,777	6,567,932	7,672,222	7,581,904
Public works	1,981,494	1,982,642	3,737,437	3,558,897	6,713,919	12,973,947	5,979,284	5,922,418	1,856,020	3,688,812
Public health and sanitation	-	-	-	-	-	-	-	1,134,918	1,803,687	1,991,829
Culture & recreation	1,002,981	1,146,865	1,574,390	1,634,571	2,048,855	1,676,106	937,124	580,603	962,373	1,443,330
Economic development	-	-	-	-	-	-	238,548	742,137	735,663	975,615
Capital outlay	5,040,509	5,030,315	4,914,922	46,116,740	45,032,503	11,295,030	10,950,068	953,775	45,599	32,427
Debt service principal	1,435,000	1,205,000	1,215,000	1,260,000	1,035,000	1,714,133	62,020,310	36,602,730	4,847,347	6,135,149
Debt service interest & fees	574,341	408,883	548,952	617,274	624,262	2,181,625	5,349,260	7,523,380	6,794,931	6,679,307
Payment on contractual obligations	-	-	-	-	-	-	-	-	1,516,382	1,855,634
Bond issuance costs	-	-	-	-	-	297,051	888,425	-	149,625	-
Miscellaneous	-	-	-	-	-	-	-	-	335,967	185,128
<b>Total expenditures</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>29,636,432</b>	<b>33,209,214</b>
<b>Excess of revenues over (under) expenditures</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>347,467</b>	<b>576,726</b>
<b>Other Financing Sources (Uses)</b>										
Bonds issued	-	4,960,000	6,000,000	-	24,225,000	15,283,057	34,280,000	38,910,000	4,427,074	-
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	50,443	-
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	738,348	60,000	50,000	448,262	-	1,950,000	6,673,895	232,000	1,100,000	1,857,306
Transfers out	[407,538]	-	-	[10,000]	-	-	[5,116,205]	[73,000]	[710,815]	[404,482]
<b>Total other financing sources (uses)</b>	<b>330,810</b>	<b>5,828,739</b>	<b>12,050,000</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>4,866,702</b>	<b>1,452,824</b>
<b>Net change in fund balances</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>\$ 5,214,189</b>	<b>\$ 2,029,550</b>
<b>Debt service as a percentage of noncapital expenditures</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>	<b>39.34%</b>	<b>40.05%</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	Total Direct Rate					
						East Plant	Southwest Plt	Water		Sewer	
								Base Rate (1)	Usage Rate (2)	Base Rate (4)	Usage Rate (5)
2003	1,159,360,000	1,105,475,000	174,995,000	15	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
2011	1,644,257,000	1,263,581,000	380,676,000	23.15	618,104,000	298,639,000	15.51	2.00	2.30	25.50	1.90
2012	1,682,167,000	1,096,078,000	586,089,000	34.84	602,250,000	260,975,000	15.72	2.02	2.33	25.50	1.90

- (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)

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>
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
2011	98	100	198
2012	100	99	199

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

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
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
2011	9,060	781	8,801	661	9,841	9,462
2012	9,915	878	8,781	812	10,793	9,593

Source: City of Junction City Utility Department

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

	2003	2004	2005	2006	2007	2008	2009	2010*	2011	2012
<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	\$ 9.50	\$ 9.50	\$ 10.12	\$ 10.53	\$ 10.78	\$ 11.38	\$ 11.38	\$ 23.51	\$ 15.51	\$ 15.72
2. Minimum charge, Not in excess of 200 cubic feet Over 1" and up to and including 1.5" meters	76.75	76.75	81.82	85.17	87.21	92.09	92.09	105.19	97.19	98.55
3. Minimum charge, Not in excess of 200 cubic feet Over 1.5" and up to and including 2" meters	155.00	155.00	165.24	172.01	176.13	185.99	185.99	200.22	192.22	194.91
4. Minimum charge, Not in excess of 200 cubic feet Over 2" and up to and including 3" meters	230.75	230.75	246.00	256.08	262.22	276.90	276.90	292.22	284.22	288.19
5. Minimum charge, Not in excess of 200 cubic feet Over 3" and up to and including 4" meters	307.00	307.00	327.28	340.69	348.86	368.39	368.39	384.81	376.81	382.08
6. Minimum charge, Not in excess of 200 cubic feet 4" meter and over	385.00	385.00	412.50	429.41	439.71	464.33	464.33	481.90	473.90	480.53
7. 300 cubic feet to 1,000 cubic feet, per 100 cubic feet	1.15	1.15	1.23	1.28	1.31	1.38	1.38	1.39	2.00	2.02
8. All above 1,000 cubic feet, per 100 cubic feet	1.45	1.45	1.55	1.61	1.64	1.73	1.73	1.75	2.30	2.33
<u>WASTEWATER</u> - rates per month (2)										
1. Minimum charge, not in excess of 200 cubic feet	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 22.00	\$ 29.00	\$ 25.50	\$ 25.50
2. 300 cubic feet and above, per 100 cubic feet	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	1.90	1.90
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>STORM WATER</u> - rates per month (3)										
1. Developed residential assessment per living unit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5.00	\$ 5.00	\$ 5.00
2. For each living unit served by more than one water meter, \$3.00 per month per add. Meter	-	-	-	-	-	-	-	3.00	3.00	3.00
3. Undeveloped residential property per month per lot or tract	-	-	-	-	-	-	-	3.00	3.00	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)

(UNAUDITED)

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

Customer	Fiscal Year 2012				
	Water Revenue		Sewer Revenue		
	Amount	Percent	Amount	Percent	
Amour Swift-Eckrich	\$ 198,892.75	4.43%	Geary Community Hospital	\$ 48,710.40	1.04%
Grandview Plaza	131,235.71	2.92%	Green Park Apartments	15,241.90	0.32%
Geary Community Hospital	63,431.85	1.41%	Penn Enterprises	11,099.90	0.24%
Valley View Estates	24,198.00	0.54%	SPSE, Incorporated	10,792.10	0.23%
Penn Enterprises	17,648.22	0.39%	Sapp Brothers Car Wash	10,414.00	0.22%
SPSE, Incorporated	15,058.45	0.34%	Cottonwood Estates	9,981.75	0.21%
Cedar Point Car Wash	13,916.14	0.31%	Cedar Point Car Wash	9,868.70	0.21%
Sapp Brothers Car Wash	13,439.49	0.30%	Armour Swift-Eckrich	9,557.10	0.20%
Winegarden & Hammons	12,993.57	0.29%	Watco Mechanical Services	9,456.40	0.20%
USD 475	<u>12,735.72</u>	<u>0.28%</u>	Holiday Inn Express	<u>7,621.00</u>	<u>0.16%</u>
Subtotal (10 largest)	\$ 503,549.90	11.21%	Subtotal (10 largest)	\$ 142,743.25	3.03%
Balance from other customers	<u>\$3,986,753.10</u>	<u>88.79%</u>	Balance from other customers	<u>\$4,554,968.75</u>	<u>96.97%</u>
Grand Total	<u>\$4,490,303.00</u>	<u>100.00%</u>	Grand Total	<u>\$4,697,712.00</u>	<u>100.00%</u>

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 Direct Tax Rate	Estimated Actual Value	Assessed to Total Estimated Actual Value
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%
2011	159,395,617	4,542,902	6,702,414	169,640,933	50.257	1,152,876,108	14.71%
2012	160,411,817	4,426,706	7,073,239	171,911,762	47.841	-	0.00%

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.

(UNAUDITED)

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>				
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	1.500	151.501
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
2011	10.589	35.138	4.623	50.350	45.499	53.390	1.500	150.605
2012	10.233	33.172	4.436	47.841	45.823	52.205	1.500	147.369

Source: Geary County Clerk

CITY OF JUNCTION CITY, KANSAS  
 PRINCIPAL PROPERTY TAXPAYERS  
 DECEMBER 31, 2012 AND TEN YEARS AGO

2011

2001

2011		2001	
Rank	Taxpayer	Rank	Taxpayer
1	Bluffs LLC, The	1	F W Woolworth Co
2	FW Woolworth Co.	2	United Telephone
3	Westar Energy	3	Western Resources
4	John Q Hammonds	4	Wal-Mart Real Estate
5	Armour-Eckrich	5	Armor Swift Eckrich Meats LLC
6	Patriot Group LLC	6	Bramlage, Ron R
7	Corefirst Bank	7	Central National Bank
8	Fort Development	8	Kansas Gas Service
9	JCTD Properties	9	Weaver, Grace E
10	Big Development	10	R & R Investments

Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
\$ 3,942,923	2.30%
3,000,000	1.77%
2,718,130	1.60%
2,415,300	1.42%
2,349,918	1.39%
878,713	0.52%
505,379	0.29%
451,477	0.27%
378,088	0.22%
317,552	0.19%

Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
\$ 2,937,500	3.89%
2,146,577	2.84%
1,997,684	2.64%
1,424,967	1.89%
905,509	1.20%
812,288	1.20%
634,492	1.08%
578,840	0.84%
482,418	0.64%
445,031	0.59%

Total Taxable Assessed Value in 2012 \$ 169,640,933

Total Taxable Assessed Value in 2002 \$ 75,570,764

Source: Geary County Clerk

Note: Information for 2012 and 2002 is not available. Information for 2011 and 2001 was used as the most recent available information.

(UNAUDITED)

(UNAUDITED)

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>
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%	110,131	2.05%
2006	5,672,511	4,942,823	87.14%	240,065	5,182,888	91.37%	100,507	1.78%
2007	6,678,742	6,411,588	96.00%	131,510	6,543,098	97.97%	266,652	3.99%
2008	7,907,276	7,302,150	93.08%	-	7,302,150	93.08%	499,159	6.36%
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%	443,149	5.51%
2011	8,473,519	8,206,048	96.84%	720,804	8,926,852	105.35%	267,322	3.15%
2012	8,363,010	7,892,614	94.38%	-	7,892,614	94.38%	470,395	5.62%

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	Per Capita	
	General Obligation Bonds	Special Assessment Debt	KDOT Revolving Loans	Capital Lease Obligations	Notes Payable	Temporary Notes	General Obligation Bonds	Revenue Bonds	Revolving Loan	Notes Payable			Capital Lease Obligations
2003	\$ 11,130,000	\$ -	\$ -	\$ 543,612	\$ -	\$ 3,690,000	\$ -	\$ 8,350,000	\$ 3,781,220	\$ -	\$ 322,797	\$ 27,817,629	\$ 1,589
2004	14,885,000	-	-	735,437	-	4,265,000	7,860,000	-	3,706,886	-	118,365	31,570,688	1,876
2005	19,670,000	-	-	1,386,708	-	10,415,000	7,350,000	-	5,235,726	-	563,394	44,620,828	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	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	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	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	7,979
2010	59,636,939	62,658,956	15,265,655	5,104,950	-	-	10,875,000	-	7,740,887	719,446	245,408	162,247,241	6,948
2011	61,866,529	60,970,581	14,497,537	749,234	-	-	10,765,000	-	7,299,593	645,233	167,344	156,961,051	7,324
2012	59,348,137	58,529,603	13,661,758	1,366,638	567,814	-	9,800,000	-	6,785,481	-	654,551	150,713,982	6,276

(UNAUDITED)

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

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Valuation (1)	\$187,715,072
Legal Debt Limit (2)	37%
Legal Debt Limit	\$ 69,454,577
Outstanding GO Debt Applicable to Debt Limit	\$ 64,843,235
Legal debt margin	\$ 4,611,342

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 29,106,085	\$ 30,593,679	\$ 44,623,887	\$ 53,417,960	\$ 62,944,863	\$ 71,965,169	\$ 72,748,236	\$ 73,413,489	\$ 68,796,606	\$ 69,454,577
Total net debt applicable to limit	\$ 8,895,597	\$ 18,105,597	\$ 25,471,994	\$ 36,300,716	\$ 61,201,498	\$ 63,801,157	\$ 71,009,486	\$ 68,910,263	\$ 67,860,839	\$ 64,843,235
Legal debt margin	\$ 20,210,498	\$ 12,488,082	\$ 19,151,893	\$ 17,117,244	\$ 1,743,365	\$ 8,164,012	\$ 1,738,750	\$ 4,503,226	\$ 935,767	\$ 4,611,342

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

	31%	59%	57%	68%	97%	89%	98%	94%	99%	93%
--	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

(1) Includes motor vehicle valuation

(2) Debt limit is set at 30% of assessed valuation per state statute. In 2009 the statute was amended for the City of Junction City and the limit was raised to 40%. This limit was scheduled to decline to 37% in 2011, 34% in 2013, and 30% in 2015. In early 2012, the statute was amended a second time and the decline in limit was revised to remain at 37% until 2016, at which time it will decline to 34% and remain at that level until 2020, when the limit will return to 30%.

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
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	70,511,939	-	70,511,939	167,004,792	53.54%	3,019.40
2011	72,631,529	2,557,895	70,073,634	169,325,891	42.89%	2,867.17
2012	69,148,137	2,356,425	66,791,712	171,911,762	40.22%	2,781.25

(UNAUDITED)

CITY OF JUNCTION CITY, KANSAS  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2012

<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	77%	\$ 25,748,800
U.S.D. #475 School District	<u>31,205,000</u>	77%	<u>24,027,850</u>
Total Estimated Overlapping Debt	64,645,000		49,776,650
<b>DIRECT DEBT</b>			
City of Junction City	<u>150,713,982</u>	100%	<u>150,713,982</u>
<b>DIRECT &amp; ESTIMATED OVERLAPPING DEBT</b>	<u>\$ 215,358,982</u>		<u>\$ 200,490,632</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.

(UNAUDITED)

CITY OF JUNCTION CITY, KANSAS  
PLEGGED REVENUE COVERAGE  
AS OF DECEMBER 31, 2012

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal & Interest	Coverage
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%
2011	8,719,225	5,180,850	3,538,375	896,655	395%
2012	10,004,859	5,935,892	4,068,967	1,323,232	307%

n/a - information is not available

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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 Enrollment (4)	Unemployment Rate (5)	Median Age (6)
2003	17,502	\$ 736,018,000	\$ 25,729	6,012	6.4	n/a
2004	16,828	795,201,000	28,269	6,063	6.9	n/a
2005	16,402	852,544,000	29,485	6,426	6.2	n/a
2006	16,106	969,245,000	32,917	6,441	4.9	29.0
2007	20,059	1,090,335,000	36,912	6,784	3.9	n/a
2008	20,671	n/a	41,504	7,048	4.4	n/a
2009	21,931	n/a	n/a	6,983	3.4	30.4
2010	23,353	n/a	n/a	7,868	7.9	n/a
2011	24,440	n/a	n/a	8,151	6.7	n/a
2012	24,015	n/a	n/a	7,905	7.3	n/a

∞ 4 (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

(UNAUDITED)

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

	2012		2001	
	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	2,845			
Other federal employees	550			
Non-appropriated fund	375			
Other civilian employees (including contractors)	3,386	51.0%	na	na
U.S.D. #475 School District	1,350	9.7%	912	7.80%
Geary Community Hospital	475	3.4%	365	3.12%
Wal-Mart Super Center	415	3.0%	na	0.00%
Amour Eckrich Inc.	400	2.9%	240	2.05%
Footlocker Distribution Center	350	2.5%	1047	8.96
Geary County	200	1.4%	130	1.11%
City of Junction City	188	1.3%	229	1.96%
Kaw Valley Engineering	152	1.1%	48	0.41%
Valley View Estates & Senior Life	130	0.9%	na	na
Dillons	130	0.9%	na	na

(1) Information Provided by Junction City/Geary County Economic Development as of 12/31/2012, 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

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

	2003		2004		2005		2006		2007		2008		2009		2010*		2011		2012		
	No.	%	No.	%	No.	%	No.	%													
<u>Governmental Activities:</u>																					
<u>General Government</u>																					
General Administration	2.5	1.51	3.5	2.12	3.5	2.05	5	2.50	6	2.99	7	3.30	6	2.72	7	4.43	8	5.09	5	2.66	
Human Resources	7.5	4.52	5.5	3.33	6.5	3.81	10.5	5.25	7.5	3.73	4.5	2.12	4.5	2.04	1	0.63	1	0.64	1	0.05	
Information Services	0	0	0	0	0	0	5	2.5	5	2.49	4	1.89	4	1.81	2	1.27	1	0.64	1	0.05	
Economic Development	3	1.81	3	1.82	3	1.76	3	1.50	3	1.49	3	1.42	3	1.36	2	1.27	2	1.27	0	0.00	
Building Maintenance																					
Public Safety																					
Police Department	68.5	41.27	71	42.73	72.5	42.52	73	36.50	74	36.82	77	36.32	72	32.65	63	39.87	63	40.13	68	36.17	
Fire/EMS Department	48	28.92	44	26.67	44	25.81	48	24.00	49	24.38	51	24.06	56	25.40	50	31.65	50	31.85	53	28.19	
Codes/Inspection	5	3.01	4	2.42	3	1.76	7	3.50	7	3.48	7	3.30	5	2.27	2.5	1.58	2.5	1.59	3	1.60	
Municipal Court																					
Public Works																					
Engineering	4	2.41	4	2.42	4	2.35	6.5	3.25	3	1.49	2	0.94	2	0.91	2.5	1.58	2.5	1.59	2	1.06	
Self Help Housing	0	0	3	1.82	3	1.76	3	1.5	3	1.49	3.5	1.65	3	1.36	3	1.90	3	1.91	3	1.60	
Streets (1)	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	1	0.63	1	0.64	12	6.38	
Culture & Recreation																					
Recreation	12	7.23	12	7.27	12	7.04	15	7.50	9.5	4.73	13.5	6.37	13.5	6.12	2	1.27	1	0.64	1	0.53	
Parks	0	0	0	0	0	0	0	0	0	0	2	0.94	2	0.91	7	4.43	7	4.46	6	3.19	
Junction City Arts	0	0	0	0	0	0	0	0	0	0	0	0	12	5.44	0	0	0	0	0	0	
Spin City	11.5	6.93	12	6.97	11.5	6.74	13	6.50	13	6.47	17.5	8.25	17.5	7.94	1	0.63	1	0.64	2	1.06	
Rolling Meadows Golf Course	162	97.59	161	97.58	163	95.60	189	94.50	180	89.55	192	90.57	201	90.93	149	94.3	148	94.27	168	88.40	
Total for Gov't-type Activities																					
Business-type Activities																					
Solid Waste																					
Water/Sewer	4	2.41	4	2.42	7.5	4.40	11	5.50	21	10.45	20	9.43	20	9.07	9	8.70	9	5.73	14	7.45	
Total Business-type Activities	4	2.41	4	2.42	7.5	4.40	11	5.50	21	10.45	20	9.43	20	9.07	9	8.7	9	5.73	20	10.64	
Total Full-time Employees	166		165		171		200		201		212		221		158		157		188		

(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:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>General Government</u>										
Building Permits Issued	46	65	146	848	1034	348	1209	1042	1022	958
Building Inspections Conducted	n/a	n/a	1748	11415	16712	13547	8322	7987	4675	4572
<u>Police</u>										
Physical Arrests	na	1806	1644	1662	1797	2069	2086	2321	2444	2396
Traffic Violations	11325	9621	8361	9142	9101	10848	7332	7867	7724	8232
<u>Fire</u>										
Fire Calls	595	741	805	1014	1079	1235	1736	1693	1625	1712
Emergency Medical Service Calls	1708	1870	1951	2245	2402	2726	2705	2627	2652	2804
<u>Parks &amp; Recreation</u>										
Golf course (Rounds of Golf)	26818	25652	23478	24156	21680	21513	21575	17567	14468	17016
Golf course (Rounds per Special Events)	2800	2102	1929	1743	2341	1763	2198	2160	1431	808
<u>Water</u>										
Average daily consumption (gallons x 1,000)	3,180,000	3,040,000	2,880,000	3,110,000	3,000,000	2,860,000	2,939,748	3,419,414	3,268,000	3,190,000
Peak daily consumption (gallons x 1000)	5,292,000	4,252,000	4,266,000	5,135,000	4,988,000	4,516,000	4,358,000	5,734,000	6,216,000	5,620,000
<u>Wastewater</u>										
East Plant Average daily sewage treatment (gallons)	n/a	n/a	n/a	1,366,000	1,421,000	1,462,000	1,493,000	1,873,000	1,694,000	1,650,000
SW Plant Average daily sewage treatment (gallons)	n/a	739000	682,000	673,000	717,000	672,000	689,000	745,000	818,166	715,000

n/a - information is not available

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

Function/Program:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<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	124	124	149	149	149	149
Streetlights	1,326	1,326	1,326	1,438	1,438	1,438	1,615	1,615	1,615	1,615
Traffic Signals	13	13	13	13	15	15	15	19	18	18
<u>Parks &amp; Recreation</u>										
Public Parks	16	16	16	17	17	18	18	18	19	19
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	7	7
Tennis Courts	7	7	7	7	7	7	7	7	6	6
Community Centers	2	2	2	2	2	2	2	1*	1	1
Spin City Recreation Complex	1	1	1	1	1	1	1	1	1	1
<u>Water</u>										
Water mains (miles)	84	84	113.1	113.1	123.3	123.3	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	93.2	102.5	102.5	107	107	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	13	13	13	13	14.2	14.2	14.2	14.2

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

(UNAUDITED)

CITY OF JUNCTION CITY, KANSAS

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Transportation</u>		
Passed Through Kansas Department of Transportation Highway Planning and Construction	20.205	\$ 250,000
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	<u>13,505</u>
Total U.S. Department of Transportation		<u>263,505</u>
<u>U.S. Department of Housing and Urban Development</u>		
Self Help Homeownership Opportunity Program	14.247	169,798
Passed Through Kansas Housing Resource Corporation Emergency Solutions Grants Program	14.231	<u>43,056</u>
Total U.S. Department of Housing and Urban Development		<u>212,854</u>
<u>U.S. Department of Homeland Security</u>		
Staffing for Adequate Fire and Emergency Response	97.083	<u>58,758</u>
Total U.S. Department of Homeland Security		<u>58,758</u>
Environmental Protection Agency		
Capitalization Grants for Clean Water State Revolving Funds	66.458	<u>70,722</u>
Total Environmental Protection Agency		<u>70,722</u>
<u>U.S. Department of Justice</u>		
Public Safety Partnership and Community Policing Grant	16.710	26,153
Byrne Memorial Justice Assistance Grant Program	16.738	<u>3,729</u>
Total U.S. Department of Justice		<u>29,882</u>
Total Expenditures of Federal Awards		<u>\$ 635,721</u>

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

CITY OF JUNCTION CITY, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2012

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 governmental agencies are 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.

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CITY OF JUNCTION CITY, KANSAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

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

Noncompliance material to financial statements noted?        Yes   X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
14.247	Self Help Homeownership Opportunity Program

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

Auditee qualified as low-risk auditee?        Yes   X   No

CITY OF JUNCTION CITY, KANSAS

Schedule of Findings and Questioned Costs - Continued  
For the Year Ended December 31, 2012

Section II - Financial Statement Findings

Current Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>
N/A	2012-1	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 different cycles.	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	2011-1	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).

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.

Status

Repeat as Finding 2012-1

CITY OF JUNCTION CITY, KANSAS

Schedule of Findings and Questioned Costs - Continued  
For the Year Ended December 31, 2012

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None Noted

Prior Year Findings

None Noted



MIZE & HOUSER  
COMPANY P.A.

AUDITOR'S COMMENTS TO MANAGEMENT

Mayor and City Commission  
City of Junction City, Kansas

In planning and performing our audit of the financial statements of Junction City, Kansas, as of and for the year ended December 31, 2012, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency (A separate report dated August 8, 2013, contains our report on significant deficiencies in the City's internal control). This letter does not affect our report dated August 8, 2013, on the financial statements of the City of Junction City, Kansas.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

1. We noted three instances where employee timesheets did not have the supervisor approval. We also noted two instances where the timesheet could not be located and two instances where the overtime rate was miscalculated. We recommend the City adhere to the City policies that require supervisor approval and proper retention of City documents.
2. We noted eleven citation numbers for which the original tickets issued by the police department could not be located. We also noted two case files that did not contain system generated receipts. Again, we recommend the City adhere to the City policies that require the proper retention of City documents.

This report is intended for the use of the mayor, city commissioners and other members of management of Junction City, Kansas and should not be used by anyone other than these specified parties.

*Mize & Houser Company PA*

August 8, 2013

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Mayor and City Commission  
City of Junction City, Kansas

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Junction City, Kansas, as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the City's internal control to be significant deficiencies:

#### Audit Adjustments

Many significant adjusting entries were required to correctly state account balances at year end. These adjusting entries were identified through the audit process. This was due to reconciliations of account balances not being performed by City staff. We recommend that reconciliations of all balance sheet account balances be performed in a timely manner and all necessary adjustments be posted to the general ledger.

#### Segregation of Duties

Another employee has the ability to create new vendors in the payables system, enters invoices to be paid, and prints signed checks. We recommend that these incompatible duties be segregated to further safeguard the assets of the City.

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The approval process for the actual invoices currently includes the City Commission approving the pay ordinance. We recommend that this pay ordinance be sorted in check number order and that part of the approval process includes insuring that all checks are accounted for from one pay ordinance to another.

Municipal Court

We recommend that the City staff periodically perform reconciliation between the municipal court ticket system and a log of tickets issued which should be maintained by the police department. We also recommend that the City monitor the daily close out sheets to ensure that all receipt numbers are properly accounted for on the close out sheets. Lastly, we recommend that an individual independent of the municipal court receipting process periodically review a system generated list of outstanding cases for reasonableness.

This report is intended for the use of the mayor, city commission and management of Junction City, Kansas and should not be used by anyone other than these specified parties.

*Mike Houser: Company PA*

August 8, 2013



MIZE & HOUSER  
COMPANY P.A.

## AUDITOR'S COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

Mayor and City Commission  
City of Junction City, Kansas

We have audited the financial statements of the City of Junction City, Kansas for the year ended December 31, 2012, and have issued our report thereon dated August 8, 2013. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated, October 29, 2012, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and to express an opinion about whether the financial statements are fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

As part of our audit, we considered the internal control of the City of Junction City, Kansas. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on March 27, 2013.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Junction City, Kansas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed for the year ended December 31, 2012. We noted no transactions entered into by the City of Junction City, Kansas during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the straight-line method of depreciation. We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

#### Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We were informed that management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 8, 2013.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of the accounting principles and auditing standards, with management each year prior to retention as the City of Junction City, Kansas' auditors. However, this discussion occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the mayor, city commission and management of the City of Junction City, Kansas, and is not intended to be and should not be used by anyone other than these specified parties.

*Mike Houser: Company PA*

August 8, 2013