

CITY OF WALTON

WALTON, KANSAS

Special Financial Statements

December 31, 2011

City of Walton, Kansas

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December 31, 2011

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# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Walton  
Walton, Kansas

We have audited the accompanying financial statements of the City of Walton, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the City's 2010 financial statements and, in our report dated June 8, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

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

As described more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2011, the changes in its financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City as of December 31, 2011, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

*Knudsen, Monroe & Company LLC*

Certified Public Accountants  
August 31, 2012

City of Walton, Kansas  
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
Year ended December 31, 2011

<u>Funds</u>	Unencumbered Cash Balance 12-31-10	Receipts	Expenditures	Unencumbered Cash Balance 12-31-11	Encumbrances	Cash Balance 12-31-11
General	\$ 360	162,251	149,308	13,303	1,872	15,175
Special revenue						
Library	4,613	2,755	1,141	6,227	-	6,227
Special street and highway	10,148	6,888	10,138	6,898	-	6,898
Capital improvement	4,847	-	-	4,847	-	4,847
Debt service						
Bond and interest	210	18,731	16,751	2,190	-	2,190
Capital project						
Orphan dump project	36	-	-	36	-	36
Enterprise						
Water operating	(27,624)	92,521	79,651	(14,754)	714	(14,040)
Sewer operating	13,997	32,766	34,074	12,689	-	12,689
Stormwater utility operating	8,490	5,289	397	13,382	-	13,382
Gas						
Operating	41,011	108,439	103,946	45,504	-	45,504
Depreciation	3,200	-	-	3,200	-	3,200
Total Primary Government	59,288	429,640	395,406	93,522	2,586	96,108
Component unit						
Walton Community Library	2,736	5,221	4,855	3,102	-	3,102
Total Reporting Entity	\$ 62,024	434,861	400,261	96,624	2,586	99,210

City of Walton, Kansas  
SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET  
Year ended December 31, 2011

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General	\$ 169,000	2,353	171,353	149,308	(22,045)
Special Revenue					
Library	6,400	-	6,400	1,141	(5,259)
Special street and highway	43,000	-	43,000	10,138	(32,862)
Debt Service					
Bond and interest	18,900	-	18,900	16,751	(2,149)
Enterprise					
Water operating	109,000	-	109,000	79,651	(29,349)
Sewer operating	41,900	-	41,900	34,074	(7,826)
Stormwater Utility	16,500	-	16,500	397	(16,103)
Gas operating	158,500	-	158,500	103,946	(54,554)
Expenditures subject to budget	<u>\$ 563,200</u>	<u>2,353</u>	<u>565,553</u>	<u>395,406</u>	<u>(170,147)</u>

## City of Walton, Kansas

**General Fund**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
RECEIPTS				
Ad valorem property tax	\$ 43,560	47,192	49,474	(2,282)
Delinquent tax	3,448	1,885	2,500	(615)
Vehicle tax	8,625	7,894	9,199	(1,305)
Sales tax - County	45,339	44,354	31,000	13,354
Franchise fees	20,141	20,828	22,000	(1,172)
Refuse	17,064	17,292	17,000	292
Permits	263	1,750	1,375	375
Court fines and fees	13,566	10,488	25,000	(14,512)
Interest	719	320	1,500	(1,180)
Reimbursements	2,731	2,353	-	2,353
Other	6,864	7,895	10,000	(2,105)
	162,320	162,251	<u>169,048</u>	<u>(6,797)</u>
EXPENDITURES, Page 5	164,488	149,308		
Receipts over (under) expenditures	(2,168)	12,943		
UNENCUMBERED CASH, beginning	2,528	360		
UNENCUMBERED CASH, ending	<u>\$ 360</u>	<u>13,303</u>		

## City of Walton, Kansas

**General Fund**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b>EXPENDITURES</b>				
Personnel services	\$ 34,958	43,183	43,000	183
Contractual	33,747	31,301	24,000	7,301
Commodities	8,377	3,359	5,000	(1,641)
Capital outlay	944	462	2,000	(1,538)
Street lights	2,975	1,805	4,500	(2,695)
Refuse	18,408	14,780	17,000	(2,220)
Streets	-	916	2,000	(1,084)
Animal control/parks	1,322	856	4,000	(3,144)
Continuing education and dues	1,553	1,697	2,000	(303)
Library	500	500	500	-
Law enforcement				
Personal services	45,000	37,736	34,000	3,736
Other	15,334	10,974	10,000	974
Municipal Court	1,275	1,295	4,000	(2,705)
Other	95	444	10,000	(9,556)
Transfer to other funds	-	-	7,000	(7,000)
	<u>164,488</u>	<u>149,308</u>	<u>169,000</u>	<u>(19,692)</u>
Adjustment for budget credits	-	-	2,353	(2,353)
Total expenditures	<u>\$ 164,488</u>	<u>149,308</u>	<u>171,353</u>	<u>(22,045)</u>

## City of Walton, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b><u>LIBRARY FUND</u></b>				
RECEIPTS				
Ad valorem property tax	\$ 2,297	2,245	2,421	(176)
Delinquent tax	196	95	150	(55)
Vehicle tax	412	415	485	(70)
	<u>2,905</u>	<u>2,755</u>	<u>3,056</u>	<u>(301)</u>
EXPENDITURES				
Appropriations to Library Board	<u>1,601</u>	<u>1,141</u>	<u>6,400</u>	<u>(5,259)</u>
Receipts over (under) expenditures	1,304	1,614		
UNENCUMBERED CASH, beginning	<u>3,309</u>	<u>4,613</u>		
UNENCUMBERED CASH, ending	<u>\$ 4,613</u>	<u>6,227</u>		
<b><u>SPECIAL STREET &amp; HIGHWAY FUND</u></b>				
RECEIPTS				
State payments	\$ 7,777	6,888	7,870	(982)
Local sales tax	-	-	17,000	(17,000)
Transfer from other funds	-	-	7,000	(7,000)
	<u>7,777</u>	<u>6,888</u>	<u>31,870</u>	<u>(24,982)</u>
EXPENDITURES				
Personnel services	1,462	1,399	-	1,399
Contractual services	12,115	8,739	-	8,739
Commodities	-	-	43,000	(43,000)
	<u>13,577</u>	<u>10,138</u>	<u>43,000</u>	<u>(32,862)</u>
Receipts over (under) expenditures	(5,800)	(3,250)		
UNENCUMBERED CASH, beginning	<u>15,948</u>	<u>10,148</u>		
UNENCUMBERED CASH, ending	<u>\$ 10,148</u>	<u>6,898</u>		



## City of Walton, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<u>CAPITAL IMPROVEMENT FUND</u>				
RECEIPTS	\$ -	-		
EXPENDITURES	-	-		NOT APPLICABLE
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	4,847	4,847		
UNENCUMBERED CASH, ending	<u>\$ 4,847</u>	<u>4,847</u>		

## City of Walton, Kansas

**Debt Service Fund and Capital Project Fund**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b><u>BOND AND INTEREST FUND</u></b>				
RECEIPTS				
Ad valorem property tax	\$ 3,760	4,097	4,416	(319)
Delinquent tax	427	166	-	166
Vehicle tax	725	668	794	(126)
Transfer from other funds	12,050	13,800	13,800	-
	<u>16,962</u>	<u>18,731</u>	<u>19,010</u>	<u>(279)</u>
EXPENDITURES				
Bond principal	4,400	4,600	4,600	-
Interest	12,360	12,151	12,246	(95)
Other	-	-	2,054	(2,054)
	<u>16,760</u>	<u>16,751</u>	<u>18,900</u>	<u>(2,149)</u>
Receipts over (under) expenditures	202	1,980		
UNENCUMBERED CASH, beginning	8	210		
UNENCUMBERED CASH, ending	<u>\$ 210</u>	<u>2,190</u>		
<b><u>ORPHAN DUMP PROJECT FUND</u></b>				
RECEIPTS				
	\$ -	-		
EXPENDITURES				
Contracted services	1,280	-	NOT APPLICABLE	
Receipts over (under) expenditures	(1,280)	-		
UNENCUMBERED CASH, beginning	1,316	36		
UNENCUMBERED CASH, ending	<u>\$ 36</u>	<u>36</u>		

## City of Walton, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<u>WATER OPERATING FUND</u>				
RECEIPTS				
Water sales	\$ 162,077	92,521	115,000	(22,479)
EXPENDITURES				
Personnel services	19,351	13,486	11,000	2,486
Contractual services	18,517	12,272	10,000	2,272
Commodities and other	2,073	2,213	2,500	(287)
Capital outlay	8,759	899	2,000	(1,101)
Water purchases	144,220	50,781	80,000	(29,219)
Franchise fee to city	-	-	3,500	(3,500)
	<u>192,920</u>	<u>79,651</u>	<u>109,000</u>	<u>(29,349)</u>
Receipts over (under) expenditures	(30,843)	12,870		
UNENCUMBERED CASH, beginning	<u>3,219</u>	<u>(27,624)</u>		
UNENCUMBERED CASH, ending	<u>\$ (27,624)</u>	<u>(14,754)</u>		

## City of Walton, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b><u>SEWER FUND</u></b>				
RECEIPTS				
Fees	\$ 32,591	32,766	34,000	(1,234)
EXPENDITURES				
Personnel services	8,716	9,088	12,500	(3,412)
Contractual services	8,379	9,801	6,000	3,801
Commodities and other	220	1,035	2,000	(965)
Capital outlay	889	350	2,000	(1,650)
Franchise fee to city	-	-	1,600	(1,600)
Contingency	-	-	4,000	(4,000)
Transfer to other funds	12,050	13,800	13,800	-
	<u>30,254</u>	<u>34,074</u>	<u>41,900</u>	<u>(7,826)</u>
Receipts over (under) expenditures	2,337	(1,308)		
UNENCUMBERED CASH, beginning	<u>11,660</u>	<u>13,997</u>		
UNENCUMBERED CASH, ending	<u>\$ 13,997</u>	<u>12,689</u>		
 <b><u>STORMWATER UTILITY FUND</u></b>				
RECEIPTS				
Fees	\$ 5,301	5,289	6,000	(711)
EXPENDITURES				
Drainage maintenance	<u>1,317</u>	<u>397</u>	<u>16,500</u>	<u>(16,103)</u>
Receipts over (under) expenditures	3,984	4,892		
UNENCUMBERED CASH, beginning	<u>4,506</u>	<u>8,490</u>		
UNENCUMBERED CASH, ending	<u>\$ 8,490</u>	<u>13,382</u>		

## City of Walton, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b><u>GAS OPERATING FUND</u></b>				
<b>RECEIPTS</b>				
Gas sales and other	\$ 127,226	108,439	150,000	(41,561)
<b>EXPENDITURES</b>				
Personnel services	15,033	16,895	23,000	(6,105)
Contractual services	2,309	13,215	6,500	6,715
Commodities and other	312	1,142	3,000	(1,858)
Capital outlay	1,366	2,841	4,000	(1,159)
Gas purchases	72,387	61,853	100,000	(38,147)
Contingency	-	-	15,000	(15,000)
Franchise fee to city	8,000	8,000	7,000	1,000
	<u>99,407</u>	<u>103,946</u>	<u>158,500</u>	<u>(54,554)</u>
Receipts over (under) expenditures	27,819	4,493		
UNENCUMBERED CASH, beginning	<u>13,192</u>	<u>41,011</u>		
UNENCUMBERED CASH, ending	<u>\$ 41,011</u>	<u>45,504</u>		
<b><u>GAS DEPRECIATION FUND</u></b>				
<b>RECEIPTS</b>				
	\$ -	-		
<b>EXPENDITURES</b>				
	-	-	NOT APPLICABLE	
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	<u>3,200</u>	<u>3,200</u>		
UNENCUMBERED CASH, ending	<u>\$ 3,200</u>	<u>3,200</u>		

## City of Walton, Kansas

**Component Unit**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

<u>WALTON COMMUNITY LIBRARY</u>	<u>2011</u>	<u>2010</u>
RECEIPTS		
Appropriations from city		
General fund	\$    500	500
Library fund	1,141	1,601
SCKLS and State	3,436	3,467
Other	144	161
	<u>5,221</u>	<u>5,729</u>
EXPENDITURES		
Salaries and employee benefits	1,594	1,693
Books, periodicals, materials	1,740	2,543
Other	1,521	2,660
	<u>4,855</u>	<u>6,896</u>
Receipts over (under) expenditures	366	(1,167)
UNENCUMBERED CASH, beginning	<u>2,736</u>	<u>3,903</u>
UNENCUMBERED CASH, ending	<u>\$    3,102</u>	<u>2,736</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Walton is a municipal corporation governed by an elected five-member council. These financial statements present the City of Walton (the primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational and financial relationship with the City.

Discretely Presented Component Units

The component unit financial statement includes the financial data of the discretely presented component unit. The component unit is reported separately to emphasize that it is legally separate from the City.

Walton Community Library –The Walton Community Library board operates the City's public library. The City makes appropriations to the library to assist in funding capital expenditures and operating expenses. The governing body of the component unit is appointed by the Walton City council.

Basis of Accounting

These financial statements are presented on a statutory basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

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

Departure from Generally Accepted Accounting Principles

The basis of presentation described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles (GAAP), encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with GAAP. General fixed assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. FUND DESCRIPTION

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

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

Governmental Funds

General Fund – to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources, other than special assessments or major capital projects that are restricted by law or administrative action to expenditure for specified purposes.

Capital Project Funds – to account for financial resources segregated for the acquisition of major capital facilities other than those financed totally by proprietary funds.

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

Proprietary Funds

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



NOTES TO FINANCIAL STATEMENTS

December 31, 2011

3. BUDGETARY INFORMATION

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

- Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
- Public hearing on or before August 15th, but at least ten days after publication on notice of hearing.
- Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2011 budget was not amended.

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

All legal annual operating budgets are prepared using a modified cash basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for the capital improvement fund, capital project funds and enterprise bond reserve accounts.

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

4. COMPLIANCE WITH KANSAS STATUES

Cash Basis Violation

The City was not in compliance with K.S.A. 10-1113 which limits fund expenditures to the available money in the Water Operating fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

5. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no investment policy that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

As of December 31, 2011, the City's investments included only bank deposits with a fair value of \$22,370, which are not subject to investment rating.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated peak periods. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the carrying amount of the City's deposits, including component units, was \$99,110. The bank balance totaled \$101,388. The balance was held by one bank resulting in a concentration of credit risk. All bank deposits were covered by FDIC insurance at December 31, 2011.

Composition of Cash

The cash balance consisted of the following at December 31, 2011

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Cash on hand	\$ 100	-	100
Amount on deposit with financial institutions			
Checking and money market accounts	73,638	3,102	76,740
Time deposits	<u>22,370</u>	<u>-</u>	<u>22,370</u>
	<u>\$ 96,108</u>	<u>3,102</u>	<u>99,210</u>

City of Walton, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

6. LONG-TERM DEBT

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Maturity Date	Balance 12/31/10	Additions	Retired	Balance 12/31/11	Interest Paid
<b>General Obligation Bonds</b>									
Series 1998 Sewer	4.75%	10/05/98	299,000	10/05/38	\$ 255,820	-	4,600	251,220	12,151
<b>Capital Lease Obligations</b>									
Vehicle	6.00%	10/01/07	14,950	10/01/11	3,419	-	3,419	-	94
Equipment	5.00%	11/15/11	17,373	11/15/16	-	17,373	256	17,117	71
Total long-term debt					<u>\$ 259,239</u>	<u>17,373</u>	<u>8,275</u>	<u>268,337</u>	<u>12,316</u>

Current maturities of long-term debt and interest through maturity are as follows:

	Year ending December 31									Total
	2012	2013	2014	2015	2016	2017-21	2022-26	2027-31	2032 and thereafter	
<b>Principal</b>										
General Obligation Bonds	\$ 4,800	5,000	5,300	5,500	5,800	33,500	42,100	53,000	96,220	251,220
Capital lease obligation	<u>3,148</u>	<u>3,311</u>	<u>3,481</u>	<u>3,659</u>	<u>3,518</u>	-	-	-	-	<u>17,117</u>
Total principal	<u>\$ 7,948</u>	<u>8,311</u>	<u>8,781</u>	<u>9,159</u>	<u>9,318</u>	<u>33,500</u>	<u>42,100</u>	<u>53,000</u>	<u>96,220</u>	<u>268,337</u>
<b>Interest</b>										
General Obligation Bonds	\$ 12,027	11,799	11,561	11,310	11,049	50,825	42,090	31,112	19,521	201,294
Capital lease obligation	<u>787</u>	<u>623</u>	<u>454</u>	<u>276</u>	<u>89</u>	-	-	-	-	<u>2,229</u>
Total interest	<u>\$ 12,814</u>	<u>12,422</u>	<u>12,015</u>	<u>11,586</u>	<u>11,138</u>	<u>50,825</u>	<u>42,090</u>	<u>31,112</u>	<u>19,521</u>	<u>203,523</u>

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Walton participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% to 6% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established by statute was 7.74% at December 31, 2011. The City's employer contributions to KPERs for the years ending December 31, 2011 and 2010 were \$7,037 and \$7,923 respectively, equal to the statutory required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

8. COMPENSATED ABSENCES

Full-time employees accrue paid time off as follows:

<u>Years of Continuous Employment</u>	<u>0-3 years</u>	<u>3-10 years</u>	<u>10+ years</u>
Hours earned per month	16.6	26.6	40.0
Days earned per year	25	40	60
Maximum days of accumulation	30	60	120
Maximum days paid at termination	9	18	36

Upon termination, unused paid time off is paid at 30%, or the maximum days per the above schedule. No provision for the liability which has accrued on the compensated absences described above has been included in the accompanying financial statements.

9. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Bond and interest	Sewer	\$ 13,800

10. MANAGEMENT'S DATE OF REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2011, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through August 31, 2012, which is the date at which the financial statements were available to be issued.