

CITY OF LOUISBURG, KANSAS

Financial Statements

For the Year Ended December 31, 2010

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CITY OF LOUISBURG, KANSAS
 Financial Statements
 For the Year Ended December 31, 2010
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LOWENTHAL, WEBB & ODERMANN, P.A.

David A. Lowenthal, CPA
Patricia L. Webb, CPA
Audrey M. Odermann, CPA

CERTIFIED PUBLIC ACCOUNTANTS

900 Massachusetts, Suite 301
Lawrence, Kansas 66044-2868
Phone: (785) 749-5050
Fax: (785) 749-5061
Website: www.lswwcpa.com

Abram M. Chrislip, CPA
Caroline H. Eddinger, CPA
Grant A. Huddin, CPA
Brian W. Nyp, CPA

Members of American Institute
and Kansas Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Mayor and City Council
City of Louisburg, Kansas

We have audited the accompanying financial statements of the City of Louisburg, Kansas (the City), as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Louisburg, Kansas. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2009. In our report dated March 23, 2010 on these financial statements, we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unqualified opinion as to presentation on the Kansas prescribed basis of accounting.

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

As described in Note 1, the City of Louisburg, Kansas prepares its financial statements on a basis of accounting prescribed by the State of Kansas which demonstrates 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 those differences is also described in Note 1.

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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Louisburg, Kansas, as of December 31, 2010, or the respective changes in financial position for the year then ended.

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

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2010, from which such partial information was derived.

Lowenthal, Wett & Odenmann, P.A.

April 7, 2011

STATEMENT 1

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

<u>Funds</u>	Beginning Unencumbered Cash Balance	Prior Period Adjustment	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 2,688,479	\$ -	\$ 1,755,272	\$ 1,737,926	\$ 2,705,825	\$ 32,731	\$ 2,738,556
Special Revenue Funds:							
Special Street Fund	315,157	-	1,117,777	758,988	673,946	98,301	772,247
Excise Tax Fund	195,148	-	6,792	-	201,940	-	201,940
Cops for Kids Fund	3,312	-	8,098	9,920	1,490	-	1,490
Aquatic Center Operations Fund	86,053	-	441,084	436,200	90,937	284	91,221
Lewis Young Park Donations Fund	40,648	-	13,362	-	54,010	-	54,010
Lewis Young Park Lighting Fund	26,546	-	10,968	5,644	31,870	-	31,870
Infrastructure Improvement Fund	-	-	59,790	-	59,790	-	59,790
Stormwater Fund	200,180	-	85,500	-	285,680	-	285,680
Cemetery Commission Fund	97,851	-	25,329	41,499	81,681	-	81,681
Fox Hall Commission Fund	28,495	-	8,452	10,726	26,221	-	26,221
Debt Service Fund:							
Bond and Interest Fund	703	-	2,532,731	1,860,736	672,698	-	672,698
Enterprise Funds:							
Natural Gas Fund	636,537	5,000	1,561,701	1,051,096	1,152,142	139,476	1,291,618
Natural Gas Capital Improvement Fund	12,977	-	109	-	13,086	-	13,086
Water Fund	-	7,850	1,846,573	1,854,423	-	38,467	38,467
Water Capital Improvement Fund	456,441	-	3,818	-	460,259	-	460,259
Water Utility Surplus Fund	1,315,794	-	285,477	524,596	1,076,675	-	1,076,675
Wastewater Fund	1,331,200	-	410,275	539,535	1,201,940	8,343	1,210,283
Benefit District Fund	323,341	-	-	323,341	-	-	-
Wastewater Capital Improvement Fund	8,871	-	50,440	-	59,311	-	59,311
State Revolving Loan Fund	57,421	-	59,985	59,867	57,539	-	57,539
Water/Sewer Bond Reserve Fund	280,000	-	-	-	280,000	-	280,000
Water/Sewer Depreciation Reserve Fund	120,437	-	61,270	-	181,707	-	181,707
Deferred Bond Payment Fund	86,252	-	-	86,252	-	-	-
Total	\$ 8,311,843	\$ 12,850	\$ 10,344,803	\$ 9,300,749	\$ 9,368,747	\$ 317,602	\$ 9,686,349

COMPOSITION OF CASH:

Peoples Bank	
Checking	\$ 114,630
Fox Hall	6,178
Petty Cash	1,914
Municipal Court	2,297
Freedom Fund	4,160
First National Bank	
Checking	1,447
Cemetery	16,881
Savings	3,653
Certificates of Deposit	49,689
Landmark	
Checking	659
Fox Hall Checking	6,701
First Option Bank	
Checking	9,459,797
Certificates of Deposit	25,000
Total Cash	9,692,806
Less: Agency Funds	[6,457]
Total (Excluding Agency Funds)	\$ 9,686,349

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

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

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Positive [Negative]</u>
General Fund	\$ 2,778,300	\$ -	\$ 2,778,300	\$ 1,737,926	\$ 1,040,374
Special Revenue Funds:					
Special Street Fund	2,240,000	-	2,240,000	758,988	1,481,012
Cops for Kids Fund	15,000	-	15,000	9,920	5,080
Aquatic Center Operations Fund	516,392	-	516,392	436,200	80,192
Lewis Young Park Donations Fund	30,000	-	30,000	-	30,000
Lewis Young Park Lighting Fund	15,000	-	15,000	5,644	9,356
Cemetery Commission Fund	80,000	-	80,000	41,499	38,501
Fox Hall Commission Fund	20,000	-	20,000	10,726	9,274
Debt Service Fund:					
Bond and Interest Fund	2,020,736	-	2,020,736	1,860,736	160,000
Enterprise Funds:					
Natural Gas Fund	1,641,405	-	1,641,405	1,051,096	590,309
Water Fund	1,305,000	-	1,305,000	1,293,071	11,929
Wastewater Fund	866,165	-	866,165	539,535	326,630
State Revolving Loan Fund	60,007	-	60,007	59,867	140

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

STATEMENT 3-1

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

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 692,157	\$ 761,244	\$ 771,645	\$ [10,401]
Intergovernmental	687,661	709,489	642,360	67,129
Licenses and permits	72,783	93,967	136,000	[42,033]
Fines and fees	83,720	89,175	75,000	14,175
Use of money and property	115,216	91,500	140,000	[48,500]
Miscellaneous	31,362	9,897	58,900	[49,003]
Transfer in	-	-	20,000	[20,000]
Total Cash Receipts	<u>1,682,899</u>	<u>1,755,272</u>	<u>\$ 1,843,905</u>	<u>\$ [88,633]</u>
Expenditures and Transfers Subject to Budget				
General government	260,978	160,538	\$ 565,000	\$ 404,462
Public safety	650,673	728,088	740,000	11,912
Building and zoning	41,870	49,141	100,000	50,859
Parks and recreation	124,195	114,936	167,300	52,364
Public works	145,978	158,309	350,000	191,691
Municipal court	42,012	38,986	56,000	17,014
Building inspection	87,155	37,928	50,000	12,072
Civic center	-	-	300,000	300,000
Transfer out	-	450,000	450,000	-
Total Expenditures and Transfers Subject to Budget	<u>1,352,861</u>	<u>1,737,926</u>	<u>\$ 2,778,300</u>	<u>\$ 1,040,374</u>
Receipts Over [Under] Expenditures	330,038	17,346		
Unencumbered Cash, Beginning	2,357,817	2,688,479		
Prior Period Restatement	<u>624</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 2,688,479</u>	<u>\$ 2,705,825</u>		

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

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

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 207,597	\$ 388,378	\$ 1,669,800	\$(1,281,422)
Use of money and property	3,522	4,399	-	4,399
Developer proceeds	-	275,000	-	275,000
Transfer in	-	450,000	450,000	-
Total Cash Receipts	<u>211,119</u>	<u>1,117,777</u>	<u>\$ 2,119,800</u>	<u>\$(1,002,023)</u>
Expenditures and Transfers Subject to Budget				
Highways and streets	<u>805,300</u>	<u>758,988</u>	<u>\$ 2,240,000</u>	<u>\$ 1,481,012</u>
Total Expenditures and Transfers Subject to Budget	<u>805,300</u>	<u>758,988</u>	<u>\$ 2,240,000</u>	<u>\$ 1,481,012</u>
Receipts Over [Under] Expenditures	[594,181]	358,789		
Unencumbered Cash, Beginning	<u>909,338</u>	<u>315,157</u>		
Unencumbered Cash, Ending	<u>\$ 315,157</u>	<u>\$ 673,946</u>		

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

STATEMENT 3-3

CITY OF LOUISBURG, KANSAS
Excise Tax Fund
Statement of Cash Receipts and Expenditures - Actual*
For the Year Ended December 31, 2010 and 2009

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Use of money and property	\$ 808	\$ -
Fines and fees	-	5,150
Taxes	<u>1,243</u>	<u>1,642</u>
Total Cash Receipts	<u>2,051</u>	<u>6,792</u>
 Expenditures and Transfers Subject to Budget		
Capital outlay	<u>2,007</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>2,007</u>	<u>-</u>
 Receipts Over [Under] Expenditures	 44	 6,792
 Unencumbered Cash, Beginning	 <u>195,104</u>	 <u>195,148</u>
 Unencumbered Cash, Ending	 <u>\$ 195,148</u>	 <u>\$ 201,940</u>

* - This fund is not required to be budgeted.

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

CITY OF LOUISBURG, KANSAS
 Cops for Kids Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2010
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Donations	\$ 6,752	\$ 8,070	\$ 10,000	\$ [1,930]
Use of money and property	-	28	-	28
Miscellaneous	-	-	50	[50]
Total Cash Receipts	<u>6,752</u>	<u>8,098</u>	<u>\$ 10,050</u>	<u>\$ [1,952]</u>
Expenditures and Transfers Subject to Budget				
Public safety	<u>9,147</u>	<u>9,920</u>	<u>\$ 15,000</u>	<u>\$ 5,080</u>
Total Expenditures and Transfers Subject to Budget	<u>9,147</u>	<u>9,920</u>	<u>\$ 15,000</u>	<u>\$ 5,080</u>
Receipts Over [Under] Expenditures	[2,395]	[1,822]		
Unencumbered Cash, Beginning	<u>5,707</u>	<u>3,312</u>		
Unencumbered Cash, Ending	<u>\$ 3,312</u>	<u>\$ 1,490</u>		

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

STATEMENT 3-5

CITY OF LOUISBURG, KANSAS
 Aquatic Center Operations Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2010
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 97,864	\$ 105,060	\$ 101,000	\$ 4,060
Intergovernmental	314,378	334,804	350,000	[15,196]
Use of money and property	701	1,220	2,000	[780]
Total Cash Receipts	<u>412,943</u>	<u>441,084</u>	<u>\$ 453,000</u>	<u>\$ [11,916]</u>
Expenditures and Transfers Subject to Budget				
Culture and recreation	155,178	139,808	\$ 220,000	\$ 80,192
Transfer out	<u>288,770</u>	<u>296,392</u>	<u>296,392</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>443,948</u>	<u>436,200</u>	<u>\$ 516,392</u>	<u>\$ 80,192</u>
Receipts Over [Under] Expenditures	[31,005]	4,884		
Unencumbered Cash, Beginning	<u>117,058</u>	<u>86,053</u>		
Unencumbered Cash, Ending	<u>\$ 86,053</u>	<u>\$ 90,937</u>		

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

CITY OF LOUISBURG, KANSAS
 Lewis Young Park Donations Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2010
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Donations	\$ 4,367	\$ 775	\$ 5,000	\$ [4,225]
Intergovernmental	13,010	12,203	-	12,203
Use of money and property	138	384	-	384
Miscellaneous	-	-	15,000	[15,000]
Total Cash Receipts	<u>17,515</u>	<u>13,362</u>	<u>\$ 20,000</u>	<u>\$ [6,638]</u>
Expenditures and Transfers Subject to Budget				
Culture and recreation	<u>5,286</u>	-	<u>\$ 30,000</u>	<u>\$ 30,000</u>
Total Expenditures and Transfers Subject to Budget	<u>5,286</u>	-	<u>\$ 30,000</u>	<u>\$ 30,000</u>
Receipts Over [Under] Expenditures	12,229	13,362		
Unencumbered Cash, Beginning	<u>28,419</u>	<u>40,648</u>		
Unencumbered Cash, Ending	<u>\$ 40,648</u>	<u>\$ 54,010</u>		

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

STATEMENT 3-7

CITY OF LOUISBURG, KANSAS
 Lewis Young Park Lighting Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2010
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Donations	\$ 11,889	\$ 10,715	\$ 2,000	\$ 8,715
Fines and fees	3,173	-	10,000	[10,000]
Use of money and property	<u>72</u>	<u>253</u>	<u>-</u>	<u>253</u>
Total Cash Receipts	<u>15,134</u>	<u>10,968</u>	<u>\$ 12,000</u>	<u>\$ [1,032]</u>
Expenditures and Transfers Subject to Budget				
Culture and recreation	<u>-</u>	<u>5,644</u>	<u>\$ 15,000</u>	<u>\$ 9,356</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>5,644</u>	<u>\$ 15,000</u>	<u>\$ 9,356</u>
Receipts Over [Under] Expenditures	15,134	5,324		
Unencumbered Cash, Beginning	<u>11,412</u>	<u>26,546</u>		
Unencumbered Cash, Ending	<u>\$ 26,546</u>	<u>\$ 31,870</u>		

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

CITY OF LOUISBURG, KANSAS
 Infrastructure Improvement Fund
 Statement of Cash Receipts and Expenditures - Actual*
 For the Year Ended December 31, 2010

Cash Receipts	
Intergovernmental	\$ 59,718
Use of money and property	<u>72</u>
Total Cash Receipts	<u>59,790</u>
Expenditures and Transfers Subject to Budget	
Capital outlay	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>
Receipts Over [Under] Expenditures	59,790
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 59,790</u>

* - This fund is not required to be budgeted.

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

STATEMENT 3-9

CITY OF LOUISBURG, KANSAS
 Stormwater Fund
 Statement of Cash Receipts and Expenditures - Actual*
 For the Year Ended December 31, 2010 and 2009

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Charges for services	\$ 82,624	\$ 83,459
Use of money and property	<u>623</u>	<u>2,041</u>
Total Cash Receipts	<u>83,247</u>	<u>85,500</u>
Expenditures and Transfers Subject to Budget		
Operations	<u>-</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	83,247	85,500
Unencumbered Cash, Beginning	<u>116,933</u>	<u>200,180</u>
Unencumbered Cash, Ending	<u>\$ 200,180</u>	<u>\$ 285,680</u>

* - This fund is not required to be budgeted.

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

CITY OF LOUISBURG, KANSAS
 Cemetery Commission Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2010
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 18,910	\$ 23,650	\$ 30,000	\$ [6,350]
Donations	330	350	10,000	[9,650]
Use of money and property	2,014	1,329	1,000	329
Total Cash Receipts	<u>21,254</u>	<u>25,329</u>	<u>\$ 41,000</u>	<u>\$ [15,671]</u>
Expenditures and Transfers Subject to Budget				
General government	<u>33,284</u>	<u>41,499</u>	<u>\$ 80,000</u>	<u>\$ 38,501</u>
Total Expenditures and Transfers Subject to Budget	<u>33,284</u>	<u>41,499</u>	<u>\$ 80,000</u>	<u>\$ 38,501</u>
Receipts Over [Under] Expenditures	[12,030]	[16,170]		
Unencumbered Cash, Beginning	<u>109,881</u>	<u>97,851</u>		
Unencumbered Cash, Ending	<u>\$ 97,851</u>	<u>\$ 81,681</u>		

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

STATEMENT 3-11

CITY OF LOUISBURG, KANSAS
 Fox Hall Commission Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2010
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Rents	\$ 6,925	\$ 6,800	\$ 9,000	\$ [2,200]
Use of money and property	314	202	-	202
Donations	<u>2,700</u>	<u>1,450</u>	<u>2,000</u>	<u>[550]</u>
Total Cash Receipts	<u>9,939</u>	<u>8,452</u>	<u>\$ 11,000</u>	<u>\$ [2,548]</u>
Expenditures and Transfers Subject to Budget				
Culture and recreation	<u>6,008</u>	<u>10,726</u>	<u>\$ 20,000</u>	<u>\$ 9,274</u>
Total Expenditures and Transfers Subject to Budget	<u>6,008</u>	<u>10,726</u>	<u>\$ 20,000</u>	<u>\$ 9,274</u>
Receipts Over [Under] Expenditures	3,931	[2,274]		
Unencumbered Cash, Beginning	<u>24,564</u>	<u>28,495</u>		
Unencumbered Cash, Ending	<u>\$ 28,495</u>	<u>\$ 26,221</u>		

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

CITY OF LOUISBURG, KANSAS
 Bond and Interest Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2010
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Taxes	\$ 749,238	\$ 1,153,256	\$ 992,244	\$ 161,012
Use of money and property	2,100	4,171	10,000	[5,829]
Lake proceeds	-	231,877	-	231,877
Transfer in	<u>1,016,185</u>	<u>1,143,427</u>	<u>1,027,053</u>	<u>116,374</u>
Total Cash Receipts	<u>1,767,523</u>	<u>2,532,731</u>	<u>\$ 2,029,297</u>	<u>\$ 503,434</u>
Expenditures and Transfers Subject to Budget				
Principal	1,388,202	1,453,453	\$ 1,395,000	\$ [58,453]
Interest	448,403	407,283	465,736	58,453
Cash basis reserve	-	-	<u>160,000</u>	<u>160,000</u>
Total Expenditures and Transfers Subject to Budget	<u>1,836,605</u>	<u>1,860,736</u>	<u>\$ 2,020,736</u>	<u>\$ 160,000</u>
Receipts Over [Under] Expenditures	[69,082]	671,995		
Unencumbered Cash, Beginning	<u>69,785</u>	<u>703</u>		
Unencumbered Cash, Ending	<u>\$ 703</u>	<u>\$ 672,698</u>		

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

CITY OF LOUISBURG, KANSAS
 Natural Gas Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2010
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges to customers	\$ 1,635,536	\$ 1,552,067	\$ 1,505,000	\$ 47,067
Use of money and property	2,446	9,634	3,000	6,634
Miscellaneous	-	-	3,000	[3,000]
Total Cash Receipts	<u>1,637,982</u>	<u>1,561,701</u>	<u>\$ 1,511,000</u>	<u>\$ 50,701</u>
Expenditures and Transfers Subject to Budget				
Operations	1,376,959	969,691	\$ 1,450,000	\$ 480,309
Capital outlay	-	-	50,000	50,000
Transfer out	<u>79,585</u>	<u>81,405</u>	<u>141,405</u>	<u>60,000</u>
Total Expenditures and Transfers Subject to Budget	<u>1,456,544</u>	<u>1,051,096</u>	<u>\$ 1,641,405</u>	<u>\$ 590,309</u>
Receipts Over [Under] Expenditures	181,438	510,605		
Unencumbered Cash, Beginning	455,099	636,537		
Prior Period Restatement	-	<u>5,000</u>		
Unencumbered Cash, Ending	<u>\$ 636,537</u>	<u>\$ 1,152,142</u>		

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

CITY OF LOUISBURG, KANSAS
 Natural Gas Capital Improvement Fund
 Statement of Cash Receipts and Expenditures - Actual*
 For the Year Ended December 31, 2010 and 2009

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Use of money and property	\$ 54	\$ 109
Total Cash Receipts	<u>54</u>	<u>109</u>
 Expenditures and Transfers Subject to Budget		
Capital outlay	<u>-</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>-</u>
 Receipts Over [Under] Expenditures	54	109
 Unencumbered Cash, Beginning	<u>12,923</u>	<u>12,977</u>
 Unencumbered Cash, Ending	<u>\$ 12,977</u>	<u>\$ 13,086</u>

* - This fund is not required to be budgeted.

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

STATEMENT 3-15

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

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges to customers	\$ 997,741	\$ 1,116,348	\$ 1,305,000	\$ [188,652]
Lake proceeds	-	205,623	-	205,623
Transfer in	239,116	524,596	-	524,596
Use of money and property	-	6	-	6
Total Cash Receipts	<u>1,236,857</u>	<u>1,846,573</u>	<u>\$ 1,305,000</u>	<u>\$ 541,573</u>
Expenditures and Transfers Subject to Budget				
Administration	166,968	268,932	\$ 303,752	\$ 34,820
Operations	260,580	992,026	200,000	[792,026]
Production	190,305	29,647	60,000	30,353
Rebate	2,250	-	10,000	10,000
Capital outlay	2,683	2,466	100,000	97,534
Transfer out	614,071	-	631,248	631,248
Total Expenditures and Transfers Subject to Budget	<u>1,236,857</u>	<u>1,293,071</u>	<u>\$ 1,305,000</u>	<u>\$ 11,929</u>
Expenditures Not Subject to the Budget				
Transfer out	-	541,897		
Legal fees related to water projects	-	19,455		
Total Expenditures Not Subject to the Budget	<u>-</u>	<u>561,352</u>		
Receipts Over [Under] Expenditures	-	[7,850]		
Unencumbered Cash, Beginning	-	-		
Prior Period Restatement	-	7,850		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

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

CITY OF LOUISBURG, KANSAS
 Water Capital Improvement Fund
 Statement of Cash Receipts and Expenditures - Actual*
 For the Year Ended December 31, 2010 and 2009

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Use of money and property	\$ 3,072	\$ 3,818
Total Cash Receipts	<u>3,072</u>	<u>3,818</u>
Expenditures and Transfers Subject to Budget		
Capital outlay	<u>282,519</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>282,519</u>	<u>-</u>
Receipts Over [Under] Expenditures	[279,447]	3,818
Unencumbered Cash, Beginning	<u>735,888</u>	<u>456,441</u>
Unencumbered Cash, Ending	<u>\$ 456,441</u>	<u>\$ 460,259</u>

* - This fund is not required to be budgeted.

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

STATEMENT 3-17

CITY OF LOUISBURG, KANSAS
 Water Utility Surplus Fund
 Statement of Cash Receipts and Expenditures - Actual*
 For the Year Ended December 31, 2010 and 2009

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Use of money and property	\$ 5,730	\$ 9,204
Transfer in	<u>146,540</u>	<u>276,273</u>
Total Cash Receipts	<u>152,270</u>	<u>285,477</u>
Expenditures and Transfers Subject to Budget		
Transfers out	<u>239,116</u>	<u>524,596</u>
Receipts Over [Under] Expenditures	[86,846]	[239,119]
Unencumbered Cash, Beginning	<u>1,402,640</u>	<u>1,315,794</u>
Unencumbered Cash, Ending	<u>\$ 1,315,794</u>	<u>\$ 1,076,675</u>

* - This fund is not required to be budgeted.

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

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

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges to customers	\$ 410,342	\$ 399,821	\$ 450,000	\$ [50,179]
Use of money and property	-	-	5,000	[5,000]
Miscellaneous	5,593	10,454	1,000	9,454
Total Cash Receipts	415,935	410,275	\$ 456,000	\$ [45,725]
Expenditures and Transfers Subject to Budget				
Operations	274,502	277,171	\$ 400,000	\$ 122,829
Capital outlay	3,306	1,201	205,000	203,799
Transfer out	206,909	261,163	261,165	2
Total Expenditures and Transfers Subject to Budget	484,717	539,535	\$ 866,165	\$ 326,630
Receipts Over [Under] Expenditures	[68,782]	[129,260]		
Unencumbered Cash, Beginning	1,399,982	1,331,200		
Unencumbered Cash, Ending	\$ 1,331,200	\$ 1,201,940		

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

STATEMENT 3-19

CITY OF LOUISBURG, KANSAS
Benefit District Fund
Statement of Cash Receipts and Expenditures - Actual*
For the Year Ended December 31, 2010 and 2009

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Miscellaneous	\$ 54,182	\$ -
Total Cash Receipts	<u>54,182</u>	<u>-</u>
 Expenditures and Transfers		
Capital outlay	2,846	1,270
Transfer out	<u>-</u>	<u>322,071</u>
Total Expenditures and Transfers	<u>2,846</u>	<u>323,341</u>
 Receipts Over [Under] Expenditures	51,336	[323,341]
 Unencumbered Cash, Beginning	<u>272,005</u>	<u>323,341</u>
 Unencumbered Cash, Ending	<u>\$ 323,341</u>	<u>\$ -</u>

* - This fund is not required to be budgeted.

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

CITY OF LOUISBURG, KANSAS
Wastewater Capital Improvement Fund
Statement of Cash Receipts and Expenditures - Actual*
For the Year Ended December 31, 2010 and 2009

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Transfer in	\$ -	\$ 50,000
Miscellaneous	<u>873</u>	<u>440</u>
Total Cash Receipts	<u>873</u>	<u>50,440</u>
Expenditures and Transfers Subject to Budget		
Capital outlay	<u>401,680</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>401,680</u>	<u>-</u>
Receipts Over [Under] Expenditures	[400,807]	50,440
Unencumbered Cash, Beginning	<u>409,678</u>	<u>8,871</u>
Unencumbered Cash, Ending	<u>\$ 8,871</u>	<u>\$ 59,311</u>

* - This fund is not required to be budgeted.

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

STATEMENT 3-21

CITY OF LOUISBURG, KANSAS
 State Revolving Loan Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2010
 (With Comparative Actual Amounts For the Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Use of money and property	\$ 251	\$ 505	\$ 500	\$ 5
Transfer in	59,867	59,480	59,482	[2]
Total Cash Receipts	<u>60,118</u>	<u>59,985</u>	<u>\$ 59,982</u>	<u>\$ 3</u>
Expenditures and Transfers Subject to Budget				
Principal	51,211	53,389	\$ 53,389	\$ -
Interest	8,656	6,478	6,093	[385]
Miscellaneous	-	-	525	525
Total Expenditures and Transfers Subject to Budget	<u>59,867</u>	<u>59,867</u>	<u>\$ 60,007</u>	<u>\$ 140</u>
Receipts Over [Under] Expenditures	251	118		
Unencumbered Cash, Beginning	<u>57,170</u>	<u>57,421</u>		
Unencumbered Cash, Ending	<u>\$ 57,421</u>	<u>\$ 57,539</u>		

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

CITY OF LOUISBURG, KANSAS
 Water/Sewer Bond Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual*
 For the Year Ended December 31, 2010 and 2009

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Miscellaneous	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures and Transfers		
Miscellaneous	<u>-</u>	<u>-</u>
Total Expenditures and Transfers	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	<u>280,000</u>	<u>280,000</u>
Unencumbered Cash, Ending	<u>\$ 280,000</u>	<u>\$ 280,000</u>

* This fund is not required to be budgeted

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

STATEMENT 3-23

CITY OF LOUISBURG, KANSAS
 Water/Sewer Depreciation Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual*
 For the Year Ended December 31, 2010 and 2009

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Use of money and property	\$ 349	\$ 1,270
Transfer in	<u>60,000</u>	<u>60,000</u>
Total Cash Receipts	<u>60,349</u>	<u>61,270</u>
 Expenditures and Transfers		
Miscellaneous	<u>-</u>	<u>-</u>
Total Expenditures and Transfers	<u>-</u>	<u>-</u>
 Receipts Over [Under] Expenditures	60,349	61,270
 Unencumbered Cash, Beginning	<u>60,088</u>	<u>120,437</u>
 Unencumbered Cash, Ending	<u>\$ 120,437</u>	<u>\$ 181,707</u>

* This fund is not required to be budgeted

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

CITY OF LOUISBURG, KANSAS
Deferred Bond Payment Fund
Statement of Cash Receipts and Expenditures - Actual*
For the Year Ended December 31, 2010 and 2009

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Use of money and property	\$ 398	\$ -
Total Cash Receipts	<u>398</u>	<u>-</u>
Expenditures and Transfers		
Transfer out	<u>93,257</u>	<u>86,252</u>
Total Expenditures and Transfers	<u>93,257</u>	<u>86,252</u>
Receipts Over [Under] Expenditures	[92,859]	[86,252]
Unencumbered Cash, Beginning	<u>179,111</u>	<u>86,252</u>
Unencumbered Cash, Ending	<u>\$ 86,252</u>	<u>\$ -</u>

* This fund is not required to be budgeted

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

STATEMENT 4

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

<u>FUNDS</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Municipal Court	\$ 8,078	\$ 5,752	\$ 11,533	\$ 2,297
Freedom Fund	<u>3,599</u>	<u>7,154</u>	<u>6,593</u>	<u>4,160</u>
 Total Agency Funds	 <u>\$ 11,677</u>	 <u>\$ 12,906</u>	 <u>\$ 18,126</u>	 <u>\$ 6,457</u>

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

CITY OF LOUISBURG, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2010

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Louisburg (the City) is a municipal corporation governed by an elected council. These financial statements present the City (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

The Louisburg Cemetery Commission serves all the citizens of the government and is governed by a board appointed by the City Council. The Commission's annual budget is approved by the City Council. The Commission has a December 31 year end, and is reported as a special revenue fund.

The Fox Hall Commission is charged with the operation and management of the Fox Hall Community Building. It is comprised of five members appointed by the City Council. The Commission has a December 31 year end, and is reported as a special revenue fund.

Basis of Accounting

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

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

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

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

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

CITY OF LOUISBURG, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2010

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Fund Descriptions

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

Governmental Fund Types

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

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

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

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

Proprietary Fund Types

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

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

Agency Fund

Agency Funds – are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds. Agency funds are custodial in nature and do not involve measurement of operations.

CITY OF LOUISBURG, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2010

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information

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

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

The statutes allow for the City Council to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The 2010 budget was not amended.

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

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

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

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

NOTE 2 - Deposits

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

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

The City does not have any formal investment policies that would further limit concentration of credit risk, interest rate, or custodial credit risks beyond state statutes.

CITY OF LOUISBURG, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2010

NOTE 3 - Retirement Plan

Plan description - The City 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. The report may be obtained by writing to KPERs (611 South Kansas Avenue, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at up 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 bases. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate was 7.14% from January 1 to December 31, 2010. The City employer contributions to KPERs for the years ending December 31, 2010, 2009, and 2008 were \$67,744, \$59,899, and \$60,611, respectively, equal to the required contributions for each year.

NOTE 4 - Long-Term Debt

Following is a detailed listing of the City's outstanding general obligation debt:

<u>General Obligation Bonds</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Final Maturity</u>
Series 2001A	4.30 - 5.75%	\$ 475,000	\$ 995,000	09/01/01	09/01/16
Series 2003A	2.00 - 4.20%	2,150,000	7,085,000	06/05/03	09/01/18
Series 2003B	3.50 - 4.35%	800,000	1,200,000	12/12/03	09/01/19
Series 2006A	4.00 - 5.00%	3,175,000	3,590,000	01/15/06	09/01/26
Series 2006B	3.70 - 4.50%	2,530,000	2,990,000	11/01/06	09/01/22
Series 2008A	3.80 - 4.30%	<u>1,320,000</u>	1,600,000	11/04/08	9/1/2018
Total		<u>\$ 10,450,000</u>			

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

<u>Year Ending December 31,</u>	
2011	\$ 1,851,055
2012	1,569,283
2013	1,364,363
2014	1,124,753
2015	1,075,555
2016-2020	3,955,660
2021-2025	1,785,065
2026	<u>275,865</u>
Total Principal and Interest	13,001,598
Less: Interest	<u>2,551,598</u>
Total	<u>\$ 10,450,000</u>

CITY OF LOUISBURG, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2010

NOTE 4 - Long-Term Debt (Continued)

Kansas Revolving Loan. Kansas Revolving Loan outstanding at year end is as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Final Maturity</u>
Kansas Revolving Loan	4.21%	<u>\$ 113,688</u>	\$ 871,100	02/29/92	03/01/13

The Kansas Revolving loan debt service requirements to maturity:

<u>Year Ending December 31,</u>	
2011	\$ 59,617
2012	<u>59,757</u>
Total Principal and Interest	119,374
Less: Interest	<u>5,686</u>
Total	<u>\$ 113,688</u>

Following is a summary of changes in long-term debt for the year ended December 31, 2010:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
General Obligation Bonds	\$ 11,845,000	\$ -	\$ 1,395,000	\$ 10,450,000
Kansas Revolving Loan	<u>167,077</u>	<u>-</u>	<u>53,389</u>	<u>113,688</u>
Total	<u>\$ 12,012,077</u>	<u>\$ -</u>	<u>\$ 1,448,389</u>	<u>\$ 10,563,688</u>

NOTE 5 - Operating Leases

The City rents office space under an operating lease. Rent expense for the year ended December 31, 2010 was \$50,123. Future minimum lease payments under the non-cancelable office space lease are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2011	\$ 52,629
2012	55,260

CITY OF LOUISBURG, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2010

NOTE 6 - Risk Management

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

NOTE 7 - Interfund Transfers

A reconciliation of transfers by fund type for 2010 follows:

<u>Fund</u>	<u>To</u>	<u>From</u>
General	\$ -	\$ 450,000
Special Street	450,000	-
Aquatic Center Operations	-	296,392
Bond and Interest	1,143,427	-
Natural Gas	-	81,405
Water	524,596	541,897
Water Utility Surplus	276,273	524,596
Wastewater	-	261,163
Benefit District	-	322,071
Wastewater Capital Improvement	50,000	-
Water/Sewer Depreciation Reserve	60,000	-
State Revolving Loan	59,480	-
Deferred Bond Payment	<u>-</u>	<u>86,252</u>
 Total	 <u>\$ 1,521,708</u>	 <u>\$ 1,521,708</u>

NOTE 8 - Customer Deposits

Customer deposits payable, in the amount of \$22,700 and \$13,000, are reported as outstanding encumbrances in the Natural Gas and Water Funds, respectively.

NOTE 9 - Compensated Absences

Full-time employees earn one working day of sick leave each full month of service. Upon termination, an employee in good standing shall be compensated for sick leave as follows:

- 5 years of service - 15% of accumulated leave
- 10 years of service - 25% of accumulated leave
- 15 years of service - 50% of accumulated leave
- 20 years of service - 75% of accumulated leave
- 25 years of service - 100% of accumulated leave

CITY OF LOUISBURG, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2010

NOTE 9 - Compensated Absences (Continued)

Accumulated sick leave benefits are to be paid at a rate equal to the pay rate at the time of termination. Total accrued sick leave was \$71,380 at December 31, 2010.

Full-time employees accrue vacation at the rate of four hours per each full calendar month of employment, provided that the total accrued days shall not exceed twenty hours each six months. The employee shall not accumulate more than one hundred sixty hours of vacation beyond the last day of the calendar year. Upon termination, an employee shall be compensated for all earned but unused vacation leave at their final rate of pay. Total accrued vacation leave was \$40,699 at December 31, 2010.

NOTE 10 - Commitments

In June 2005, the Marais Des Cygnes Public Utility Authority (the Authority) was created by an interlocal agreement between the cities of Louisburg and Paola, Kansas. The Authority was established to construct and operate a public water supply utility to serve each of the cities. In November 2007, the Authority issued \$33,000,000 of water facilities revenue bonds to provide funds to acquire, construct, and equip a water supply system. The Authority's estimated debt service requirements with respect to the Series 2007 Bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2011	\$ 65,000	\$ 1,481,213	\$ 1,546,213
2012	130,000	1,478,613	1,608,613
2013	195,000	1,473,413	1,668,413
2014	270,000	1,465,613	1,735,613
2015	345,000	1,454,813	1,799,813
2016-2020	2,825,000	7,003,263	9,828,263
2021-2025	4,360,000	6,298,813	10,658,813
2026-2030	6,345,000	5,157,388	11,502,388
2031-2035	8,920,000	3,497,331	12,417,331
2036-2038	<u>9,545,000</u>	<u>1,018,194</u>	<u>10,563,194</u>
Total	<u>\$ 33,000,000</u>	<u>\$ 30,328,650</u>	<u>\$ 63,328,650</u>

The City of Louisburg (the City) entered into a water supply service agreement with the Authority on September 1, 2007. The payments required under the agreement are payable solely from the revenues of the City's water utility system, which are pledged to pay the obligations under the agreement. The City's obligations under the agreement are payable whether or not water service is actually received from the Authority. Under the agreement, the City has covenanted to charge rates sufficient to allow revenues of its water utility system, net of operating and maintenance expenses of such water utility system, to cover its respective share of debt service due on the Series 2007 Bonds (the "Water Base Charge" specified in the agreement) by 125%.

The agreement will remain in force until the last day of the year in which all bonds and the interest have been paid in full.