

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS

STATUTORY BASIS FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

SCOTT COUNTY PUBLIC BUILDING COMMISSION
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FINANCIAL STATEMENTS

For the Year Ended December 31, 2009

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
STATEMENT 1	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	2
STATEMENT 2	
Statement of Cash Receipts and Expenditures - General Fund	3
Notes to Financial Statements	4-8



INDEPENDENT AUDITORS' REPORT

Members of the Board
Scott County Public Building Commission
Scott County, Kansas

We have audited the accompanying statutory basis financial statements of the Scott County Public Building Commission, Scott County, Kansas, as of and for the year ended December 31, 2009, as listed in the table of contents. These statutory basis financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these statutory basis financial statements based on our audit.

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 in Note 1, the Commission prepared these statutory basis financial statements using 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 effects 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, are presumed to be material.

In our opinion, because of the effects of the matter described in the preceding paragraph, the statutory basis financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Scott County Public Building Commission, Scott County, Kansas, as of December 31, 2009, or the changes in its financial position. Further, the Commission has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the statutory basis financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the Scott County Public Building Commission, Scott County, Kansas, as of December 31, 2009, and its cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

LEWIS, HOOPER & DICK, LLC

May 13, 2010

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SCOTT COUNTY PUBLIC BUILDING COMMISSION
 SCOTT COUNTY, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2009

	Unencumbered Cash (Deficit) 1/1/2009	Cash Receipts	Expenditures	Unencumbered Cash 12/31/2009	Outstanding Encumbrances and Accounts Payable	Treasurer's Cash 12/31/2009
General Fund	<u>\$ (422,615)</u>	<u>\$ 4,674,655</u>	<u>\$ 4,224,629</u>	<u>\$ 27,411</u>	<u>\$ -</u>	<u>\$ 27,411</u>
Totals (memorandum only)	<u>\$ (422,615)</u>	<u>\$ 4,674,655</u>	<u>\$ 4,224,629</u>	<u>\$ 27,411</u>	<u>\$ -</u>	<u>\$ 27,411</u>
Composition of Cash:						
Demand deposits:						
First National Bank - Scott City						\$ 695
Time deposits:						
Security Bank - Kansas City						23,864
Investments:						
Security Bank - Kansas City						<u>2,852</u>
Total cash						<u>\$ 27,411</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

SCOTT COUNTY PUBLIC BUILDING COMMISSION
 SCOTT COUNTY, KANSAS
 General Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2009

Cash receipts:	
Intergovernmental revenue	\$ 355,915
Interest on idle funds	23,740
Bond proceeds	<u>4,295,000</u>
Total cash receipts	<u>4,674,655</u>
Expenditures:	
Debt service	418,392
Capital outlay	3,804,114
Commodities	<u>2,123</u>
Total expenditures	<u>4,224,629</u>
Receipts over expenditures	450,026
Unencumbered cash (deficit), beginning	<u>(422,615)</u>
Unencumbered cash, ending	<u>\$ 27,411</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2009

1. Summary of significant accounting policies

Scott County Public Building Commission, Scott County, Kansas, was incorporated under the provisions of the State of Kansas and operates under an appointed board. The Commission makes available to other entities within the County buildings, space in such buildings and other facilities.

A. Financial reporting entity

The Scott County Public Building Commission was created under K.S.A. 12-1757. The Commission is governed by a three member board with one member appointed by the Scott County Commissioners, one member appointed by the City of Scott City, Kansas, and one member appointed by the other members of the Public Building Commission. The County and City's accountability for this organization does not extend beyond making the appointments; however the County and City consider the Scott County Public Building Commission to be a related organization.

These financial statements present the Scott County Public Building Commission (the primary government) and its component units. The component units discussed below are included in the Commission's reporting entity because of the significance of their operational or financial relationships with the Commission.

The Commission has no organizations, functions or activities which are considered component units of the Commission.

B. Measurement focus, basis of accounting and basis of presentation

These financial statements are presented on a statutory basis of accounting. The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's 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 recorded in the fund from which the transfer is made.

C. Waiver of financial reporting requirements

The Commission's Board of Directors has determined by resolution that financial statements prepared in conformity with accounting principles generally accepted in the United States of America are not relevant to the requirements of the cash basis and budget laws of the State of Kansas and are of no significant value to the Board, the Commission or the members of the general public of the Commission. The Commission approved the resolution which served as notice of the Board's election to waive the requirements for reporting of its financial data in conformity with accounting principles generally accepted in the United States of America, as provided and authorized by K.S.A. 75-1120a.

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2009

1. Summary of significant accounting policies (continued)

D. Departure from generally accepted accounting principles

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. 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 Commission are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes and compensated absences are not presented in the financial statements.

E. Fund 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 are used by the Commission:

Governmental Funds

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

F. Budgetary information

Kansas statutes do not require an annual operating budget be legally adopted for special districts which do not directly levy a tax.

G. Cash and investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the Commission (except for investments in the Kansas Municipal Investment Pool). Cash includes amounts in demand deposits and certificates of deposit. Investments of the pooled accounts consist primarily of investments in the Kansas Municipal Investment Pool and U.S. government securities carried at cost, which approximates market. Interest income earned, unless specifically designated, is allocated to the general fund.

Investments are stated at cost. The aggregate value of the investments at December 31, 2009, is \$2,852.

H. Memorandum totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. No consolidated financial information is presented nor is all required disclosures presented for these amounts.

SCOTT COUNTY PUBLIC BUILDING COMMISSION
 SCOTT COUNTY, KANSAS
 Notes to Financial Statements
 For the Year Ended December 31, 2009

2. Deposits and investments

A reconciliation of cash and investments as shown in the composition of cash on the summary of cash receipts, expenditures and unencumbered cash on Statement 1 is as follows:

Carrying amount of deposits	\$	24,559
Carrying amount of investments		2,852
Total cash	\$	27,411

As of December 31, 2009, the Commission had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		Rating
		Less than 1	1-2	
Guaranteed Investment Contracts secured by U.S. Treasury and Agencies	\$ 2,852	\$ 2,852	\$ -	N/A
Total fair value	\$ 2,852	\$ 2,852	\$ -	

K.S.A. 9-1401 establishes the depositories which may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, 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 Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission'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 Commission has no investment policy that would further limit its investment choices. The rating of the Commission's investments is noted above.

Concentration of credit risk

State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Commission's allocation of investments as of December 31, 2009, is as follows:

Investments	Percentage of Investments
Guaranteed Investment Contracts secured by U.S. Treasury and Agencies	100%

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission'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 Commission does not use designated "peak periods".

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2009

2. Deposits and investments (continued)

Custodial credit risk – deposits (continued)

At December 31, 2009, the Commission's carrying amount of deposits was \$24,559 and the bank balance was \$24,559. Of the bank balance, 97.2% was held by one financial institution resulting in a concentration of credit risk. All of the bank balance was covered by federal depository insurance. The Commission's cash deposits at year-end are as follows:

	First National Bank - Scott City	Security Bank - Kansas City
FDIC coverage	\$ 695	\$ 23,864
Pledged securities at market value	1,195,080	-
Total coverage	\$ 1,195,775	\$ 23,864
Funds on deposit	\$ 695	\$ 23,864
Funds at risk	\$ -	\$ -

Credit risk - investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The Commission had no investments of this type at December 31, 2009.

3. Capital projects

Capital project authorizations at December 31, 2009, with approved change orders compared to disbursements and accounts payable from inception, are as follows:

	Project Authorization	Disbursements and Accounts Payable to Date	Committed
Law Enforcement Center project	\$ 4,215,651	\$ 4,215,651	\$ -

4. Long-term debt

Changes in long-term liabilities for the Commission for the year ended December 31, 2009, were as follows:

	Date of Issue	Maximum Rate	Date of Final Maturity	Amount of Issue	Balance 1/1/09	Additions	Reductions/ Payments	Balance 12/31/09	Interest Paid
Revenue bonds: Series 2009	3/1/2009	4.40%	9/1/24	\$ 4,295,000	\$ -	\$ 4,295,000	\$ 280,000	\$ 4,015,000	\$ 85,891
Total long-term debt					\$ -	\$ 4,295,000	\$ 280,000	\$ 4,015,000	

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	2010	2011	2012	Year 2013	2014	2015-2019	2020-2024	Total
Principal:								
Revenue bonds	\$ 200,000	\$ 210,000	\$ 215,000	\$ 225,000	\$ 235,000	\$ 1,325,000	\$ 1,605,000	\$ 4,015,000
Interest:								
Revenue bonds	161,982	154,982	147,632	140,108	131,108	507,226	215,565	1,458,603
Total principal and interest	\$ 361,982	\$ 364,982	\$ 362,632	\$ 365,108	\$ 366,108	\$ 1,832,226	\$ 1,820,565	\$ 5,473,603

SCOTT COUNTY PUBLIC BUILDING COMMISSION
 SCOTT COUNTY, KANSAS
 Notes to Financial Statements
 For the Year Ended December 31, 2009

4. Long-term debt (continued)

On November 3, 2009, a bond resolution was passed by the voters of Scott County authorizing the Commission to finance \$5,750,000 in revenue bonds to acquire and remodel Park Lane Nursing Home. On January 5, 2010, the Commission approved the issuance of these bonds by Piper Jaffrey.

5. Risk management

The Commission 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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

6. Compliance with Kansas statutes

References made herein to the statutes are not intended as interpretations of the law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representation of the Commission. We noted the following violation of Kansas statutes observed for the year ended December 31, 2009:

K.S.A. 10-1113 requires expenditures be made in compliance with the cash basis law which requires no indebtedness be created for a fund in excess of available monies in the fund. The Commission violated K.S.A. 10-1113 by expending monies in excess of available cash at January 1, 2009. This was due to expenditures for construction being made prior to receiving funding for the project.

7. Related party transaction

On March 1, 2009, the Commission entered into a lease with option to purchase with Scott County, Kansas, and the City of Scott City, Kansas, for the law enforcement building. The lease provides for payments from the County and City to finance the cost of bonds issued by the Commission for the construction of the building and other expenses of the building. Basic lease payments received during the current year totaled \$355,915. Future minimum basic lease payments, to be received through September 1, 2024, are as follows:

Year	Basic Rent Payments
2010	\$ 361,982
2011	364,982
2012	362,632
2013	365,108
2014	366,108
2015-2019	1,832,226
2020-2024	1,820,565
Total	\$ 5,473,603