

CITY OF OSAGE CITY, KANSAS

Financial Statement and
Independent Auditors' Report with
Supplemental Information

For the Year Ended December 31, 2013

CITY OF OSAGE CITY, KANSAS

December 31, 2013

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Osage City, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Osage City, Kansas, a municipality, as of and for the year ended December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 2 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement 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 and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by City of Osage City, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of City of Osage City, Kansas as of December 31, 2013, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of City of Osage City, Kansas as of December 31, 2013, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

April 10, 2014
Chanute, Kansas

CITY OF OSAGE CITY, KANSAS
 Summary Statement of Receipts, Expenditures, and Unencumbered Cash
 Regulatory Basis
 For the Year Ended December 31, 2013

Funds	Beginning Unencumbered		Receipts	Expenditures	Ending Unencumbered		Add Outstanding			
	Cash Balance				Cash Balance	Encumbrances and Accounts Payable	Cash Balance December 31, 2013			
General Fund	\$ 388,113.84	\$	2,413,853.20	\$ 2,442,436.45	\$	359,530.59	\$	8,974.14	\$	368,504.73
Special Purpose Funds:										
Airport	38,668.76		18,237.73	140,177.34	(83,270.85)			1,345.80		(81,925.05)
Library	(96.04)		139,877.35	139,781.31	-			-		-
Special Safety Equipment Reserve	27,098.44		30,900.42	12,087.63	45,911.23			-		45,911.23
Special Parks and Recreation	13,164.99		3,405.70	-	16,570.69			-		16,570.69
Cemetery	14,474.78		-	-	14,474.78			-		14,474.78
Special Highway	28,964.78		73,658.56	75,575.00	27,048.34			-		27,048.34
Capital Improvement	646,458.69		416,203.78	315,140.40	747,522.07			10,495.73		758,017.80
Pool Capital Improvement	75,911.02		82,734.32	-	158,645.34			-		158,645.34
Equipment Reserve	468,108.61		107,270.00	96,388.53	478,990.08			-		478,990.08
Energy Efficiency	59,662.40		24,029.47	9,017.84	74,674.03			-		74,674.03
Public Building Commission	1,783,232.93		151,810.98	1,729,394.83	205,649.08			132,872.31		338,521.39
Bond and Interest Funds:										
Bond and Interest	88,941.90		875,601.54	959,753.13	4,790.31			-		4,790.31
Business Funds:										
Electric Utility	1,630,088.17		4,216,334.76	4,143,744.18	1,702,678.75			106,896.15		1,809,574.90
Water Utility	412,922.84		1,204,670.88	1,139,637.87	477,955.85			6,170.76		484,126.61
Natural Gas Utility	640,941.13		1,861,090.65	1,961,763.59	540,268.19			33,662.50		573,930.69
Sewer Utility	249,831.54		277,644.83	171,156.14	356,320.23			1,097.92		357,418.15
Sanitation Utility	112,929.55		321,815.66	331,476.40	103,268.81			5,869.08		109,137.89
Total Reporting Entity (Excluding Agency Funds)	\$ 6,679,418.33	\$	12,219,139.83	\$ 13,667,530.64	\$	5,231,027.52	\$	307,384.39	\$	5,538,411.91

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

Statement 1 (Continued)

CITY OF OSAGE CITY, KANSAS

Summary of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2013

	December 31, 2013
Composition of Cash:	
Petty Cash	\$ 490.00
Checking Accounts	
Landmark National Bank	
General	256,818.22
Deposit	3,637,862.01
Drug and Alcohol	484.45
Energy Efficiency	66,338.79
Public Building Commission	968,912.24
Investments	
Bank of Osage City - Certificates of Deposit	779,720.00
Security Bank of Kansas City - Trust Account	0.23
Total Cash	5,710,625.94
Agency Funds per Schedule 3	(172,214.03)
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 5,538,411.91</u>

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

CITY OF OSAGE CITY, KANSAS
Notes to Financial Statement
For the Year Ended December 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of Osage City, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies follow. Note 1 describes how the City's accounting policies differ from accounting principles generally accepted in the United States of America.

Financial Reporting Entity

The City of Osage City, Kansas, is a second class City governed by a Mayor-Council form of government. The Council consists of eight elected officials. The City has adopted the City-Manager plan of government and employs a manager for the administration of the City's business. This financial statement present the City of Osage City.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the City. Related municipal entities are not required to be included in the City's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG). Based upon the application of this criterion, the following is a brief review of potential related municipal entities:

Osage City Public Library. The City of Osage City, Kansas, Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Bond issuances must also be approved by the City. The City levies taxes for the Library Board and significantly influences the Library's operations. Separate internal financial statements are available from the Library.

Regulatory Basis Fund Types

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 of Osage City, Kansas, for the year of 2013:

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis Fund Types (Continued)

Bond and Interest fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Business fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.).

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

Basis of Presentation – Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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

Pension Plan

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer state-wide pension plan. The City's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State of Kansas.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for the revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as revenues. In the financial statement and budget comparison schedules presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the City Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following timetable in the adoption of the legal annual operating budget:

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

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. There were no such budget amendments for this year.

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 the individual funds. Budget comparison schedules 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 regulatory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's 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. Any unused budgeted expenditure authority lapses at year-end.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

A legal operating budget is not required for capital projects funds, trust funds, permanent funds, and the following special purpose funds:

- Capital Improvements Fund
- Pool Capital Improvement Fund
- Equipment Reserve Fund
- Energy Efficiency Fund
- Public Building Commission

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.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1, the City was in apparent violation with K.S.A. 10-1113, as the City has obligated expenditures in excess of available monies in the Airport Fund, however, K.S.A 10-1,116 provides that under certain situations, the fund can end the year with a negative unencumbered cash balance and therefore, exempt from the cash basis laws of Kansas. The Airport Fund met the criteria under the statutes and therefore, is not deemed to be in violation of the Kansas cash basis laws. As shown in Schedule 1, the City was in apparent violation of K.S.A. 79-2934 as the City has obligated expenditures in excess of budgetary limits in the Bond and Interest Fund and Water Utility Fund.

3. 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 branch or branch bank in the county in which the City 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 City has no other policies 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.

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.

3. DEPOSITS AND INVESTMENTS (Continued)

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. All deposits were legally secured at December 31, 2013.

At year-end, the City's carrying amount of deposits was \$5,710,135.94 and the bank balance was \$5,838,354.36. The bank balance was held by three resulting in a concentration of credit risk. Of the bank balance, \$500,000.00 was covered by FDIC insurance, \$5,338,354.13 was collateralized with securities held by the pledging financial institution's agents in the City's name, and \$0.23 was held as a Certificate of Participation with Security Bank Corporation and Trust Services, which was self securing at year end.

4. INDUSTRIAL REVENUE BONDS

The City has entered into various agreements to induce businesses to locate or expand operations in City of Osage City, Kansas. In connection therewith, the City has issued industrial revenue bonds (IRB's), which require the businesses to make lease payments to trust accounts sufficient to pay debt service on the IRB's. The City is under no obligation to pay the IRB debt, which is to be paid from the lease payments made by the related businesses. At December 31, 2013, there was one industrial revenue bond issued with a principal balance due totaling \$3,200,000.00.

5. OPERATING LEASES

The City has entered into an operating lease for a postage machine dated August 25, 2010 and an operating lease for the use of the train depot dated April 17, 2000. Rent expense for the year ended December 31, 2013, was \$2,168.44. Under the current lease agreement, the future minimum rental payments are as follows:

2014	\$ 1,705.92
2015	760.06

6. CAPITAL LEASES

The City has entered into a capital lease agreement dated August 9, 2012, to purchase a street sweeper at a cost of \$100,000.00. The City agreed to make annual payments of \$51,920.53, including imputed interest at 2.55%.

2014	\$ 51,920.52
Total Net Minimum Lease Payments	51,920.52
Less: Imputed Interest	(1,339.95)
Net Present Value	50,580.57
Less: Current Maturities	(50,580.57)
Long-Term Capital Lease Obligations	\$ 0.00

6. CAPITAL LEASES (Continued)

The City has entered into a certificate of participation capital lease agreement dated June 1, 2004, to finance the demolition of the City's grandstands. The City agreed to make annual payments, including imputed interest ranging from 4.15% to 4.70%.

2014	\$ 78,525.00
Total Net Minimum Lease Payments	78,525.00
Less: Imputed Interest	(3,525.00)
Net Present Value	75,000.00
Less: Current Maturities	(75,000.00)
Long-Term Capital Lease Obligations	<u>\$ 0.00</u>

7. NOTES RECEIVABLE AND LOANS RECEIVABLE

The City was the recipient of an economic development grant from the State of Kansas Department of Commerce. The purpose of the grant was for the City to make a loan of \$735,000.00 to a local business. The loan agreement provides for the loan to be repaid over a period of 78 months with a moratorium on principal for the first 18 months. In November 2008 KanBuild and the Department of Commerce agreed that the business would pay \$500.00 in interest per month due to the slow business economy. In February 2011 KanBuild closed its doors and shut down production without paying any principal toward the Community Development Block Grant loan. Subsequent to this event, the City has been in negotiations with the Kansas Department of Commerce concerning the balance of the loan. The release of the lien on the property's mortgage was released in exchange for payment of \$2,500.00 and the property was sold to Asset Life Cycle, LLC.

8. CAPITAL PROJECTS

The following is a summary of capital project authorizations and expenditures to date:

<u>PROJECT NAME</u>	<u>AUTHORIZED</u>	<u>EXPENDED THRU 12/31/13</u>	<u>ESTIMATED COMPLETION</u>
City Dam Project	\$ 2,170,000.00	\$ 1,956,200.57	Summer 2014
Gas System Improvement Project	1,081,235.00	967,080.00	Complete
Lake Restoration	1,370,953.22	147,357.00	Summer 2014

9. LONG-TERM DEBT

Changes in long-term debt for the City for the year ended December 31, 2013, were as follows:

Issue	Interest Rates	Date of Issue	Original Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds:									
Paid with Tax Levies									
Series 2008	2.65-3.45%	March 15, 2008	\$ 825,000.00	December 31, 2019	\$ 465,000.00	\$ -	\$ 70,000.00	\$ 395,000.00	\$ 15,555.00
Series 2009	1.40-4.00%	December 29, 2009	760,000.00	December 31, 2021	610,000.00	-	55,000.00	555,000.00	20,572.50
Series 2010	1.00-1.80%	December 15, 2010	315,000.00	January 1, 2016	195,000.00	-	65,000.00	130,000.00	3,510.00
Series 2011	0.50-2.00%	October 1, 2011	870,000.00	December 1, 2019	775,000.00	-	105,000.00	670,000.00	10,062.50
Series 2011-B	0.60-3.10%	October 1, 2011	705,000.00	September 1, 2024	660,000.00	-	50,000.00	610,000.00	14,205.00
Series 2011-C	1.50-3.75%	October 1, 2011	550,000.00	September 1, 2020	495,000.00	-	55,000.00	440,000.00	15,285.00
Series 2011-D	0.45-2.80%	November 15, 2011	1,995,000.00	August 1, 2023	1,825,000.00	-	160,000.00	1,665,000.00	31,847.50
Series 2012	1.60-2.00%	September 1, 2012	1,885,000.00	December 31, 2020	1,885,000.00	-	250,000.00	1,635,000.00	38,715.63
Series 2013	1.40-3.50%	February 1, 2013	665,000.00	December 31, 2028	-	665,000.00	-	665,000.00	-
Revenue Bonds:									
Paid with Utility Receipts									
Series 2007-A	3.00-4.65%	April 1, 2007	2,170,000.00	September 1, 2032	1,930,000.00	-	65,000.00	1,865,000.00	84,331.26
KDCH Loans:									
Project 05-KPF-016	.25-4.50%	March 15, 2005	291,240.00	April 15, 2016	80,575.54	-	32,980.60	47,594.94	86.10
Capital Leases:									
COP Series 2004	4.15-4.70%	June 1, 2004	350,000.00	September 1, 2014	150,000.00	-	75,000.00	75,000.00	7,761.75
Trash Truck	3.55%	July 8, 2009	127,694.00	July 15, 2013	26,432.21	-	26,432.21	-	815.88
Street Sweeper	2.55%	August 9, 2012	100,000.00	August 9, 2014	100,000.00	-	49,419.43	50,580.57	2,501.10
					<u>\$ 9,197,007.75</u>	<u>\$ 665,000.00</u>	<u>\$ 1,058,832.24</u>	<u>\$ 8,803,175.51</u>	<u>\$ 245,249.22</u>
Total Contractual Indebtedness									

9. LONG-TERM DEBT (Continued)

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

Issue	2014	2015	2016	2017	2018	2019-2023	2024-2028	2029-2032	Total
Principal									
General Obligation Bonds:									
Series 2008	\$ 75,000.00	\$ 70,000.00	\$ 60,000.00	\$ 60,000.00	\$ 65,000.00	\$ 65,000.00	\$ -	\$ -	\$ 395,000.00
Series 2009	60,000.00	65,000.00	65,000.00	65,000.00	70,000.00	230,000.00	-	-	555,000.00
Series 2010	65,000.00	65,000.00	-	-	-	-	-	-	130,000.00
Series 2011	110,000.00	110,000.00	110,000.00	110,000.00	115,000.00	115,000.00	-	-	670,000.00
Series 2011-B	50,000.00	50,000.00	50,000.00	50,000.00	55,000.00	290,000.00	65,000.00	-	610,000.00
Series 2011-C	60,000.00	60,000.00	60,000.00	60,000.00	65,000.00	135,000.00	-	-	440,000.00
Series 2011-D	160,000.00	160,000.00	165,000.00	165,000.00	170,000.00	845,000.00	-	-	1,665,000.00
Series 2012	260,000.00	270,000.00	275,000.00	275,000.00	280,000.00	275,000.00	-	-	1,635,000.00
Series 2013	30,000.00	40,000.00	40,000.00	40,000.00	40,000.00	220,000.00	255,000.00	-	665,000.00
Revenue Bonds:									
Series 2007-A	65,000.00	70,000.00	70,000.00	75,000.00	75,000.00	435,000.00	545,000.00	530,000.00	1,865,000.00
KDCH Loans:									
Project 05-KPF-016	31,303.17	16,291.77	-	-	-	-	-	-	47,594.94
Capital Leases:									
COP Series 2004	75,000.00	-	-	-	-	-	-	-	75,000.00
Street Sweeper	50,580.57	-	-	-	-	-	-	-	50,580.57
Total Principal Payments	1,091,883.74	976,291.77	895,000.00	900,000.00	935,000.00	2,610,000.00	865,000.00	530,000.00	8,803,175.51
Interest									
General Obligation Bonds:									
Series 2008	13,385.00	10,910.00	8,565.00	6,555.00	4,485.00	2,242.50	-	-	46,142.50
Series 2009	19,307.50	17,687.50	15,737.50	13,625.00	11,350.00	18,270.00	-	-	95,977.50
Series 2010	2,340.00	1,170.00	-	-	-	-	-	-	3,510.00
Series 2011	9,432.50	8,662.50	7,562.50	6,132.50	4,427.50	2,300.00	-	-	38,517.50
Series 2011-B	13,855.00	13,455.00	12,855.00	12,105.00	11,255.00	35,785.00	2,015.00	-	101,325.00
Series 2011-C	14,460.00	12,900.00	11,340.00	9,420.00	7,500.00	7,687.50	-	-	63,307.50
Series 2011-D	30,967.50	29,767.50	28,167.50	26,105.00	23,630.00	62,635.00	-	-	201,272.50
Series 2012	25,972.50	20,772.50	15,372.50	9,872.50	7,122.50	4,082.50	-	-	83,195.00
Series 2013	25,443.75	15,912.50	14,612.50	15,412.50	12,692.50	52,882.50	24,237.50	-	161,193.75
Revenue Bonds:									
Series 2007-A	81,731.26	79,131.26	76,331.26	73,496.26	70,458.76	301,647.50	198,450.00	62,582.50	943,828.80
KDCH Loans:									
Project 05-KPF-016	1,793.53	369.03	-	-	-	-	-	-	2,162.56
Capital Leases:									
COP Series 2004	3,525.00	-	-	-	-	-	-	-	3,525.00
Street Sweeper	1,339.95	-	-	-	-	-	-	-	1,339.95
Total Interest Payments	243,553.49	210,737.79	190,543.76	172,723.76	152,921.26	487,532.50	224,702.50	62,582.50	1,745,297.56
Total Principal and Interest	\$1,335,437.23	\$1,187,029.56	\$1,085,543.76	\$1,072,723.76	\$1,087,921.26	\$3,097,532.50	\$1,089,702.50	\$ 592,582.50	\$ 10,548,473.07

10. DEFINED BENEFIT PENSION 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 Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The City's employer contribution to KPERS for the year ending December 31, 2013 was \$116,634.19 equal to the statutory required contributions for the years.

11. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences

Regular full time employees earn and accumulate vacation leave as follows:

<u>Years of Employment</u>	<u>Hours Earned Per Pay Period</u>	<u>Maximum Hours Accrued</u>
0 – 9	4	140
10 – 14	6	160
15 and Over	8	180

No paid vacation leave time may be taken during the first six(6) months of employment. An employee will be allowed to carryover vacation leave from one employment anniversary year period to the next, to a maximum amount of vacation leave earned in the employee's preceding anniversary date period.

Regular full time employees earn and accumulate sick leave from the beginning of employment as follows:

<u>Years of Employment</u>	<u>Hours Earned Per Pay Period</u>	<u>Maximum Days Accrued</u>
0 – 9	4	90
10 – 19	4	120
20 and Over	4	160

When an employee retires or terminates employment with the City in good standing, then the employee shall be compensated for unused sick leave upon leaving based on the years of service and amount of accrued hours.

11. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

The City accrues a liability for compensated absences which meet the following criteria:

1. The City’s obligation relating to employees’ rights to receive compensation for future absences is attributable to employees’ services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and, is material.

In accordance with the above criteria, the City has estimated a liability for annual leave which has been earned, but not taken, by City employees. The estimated liability for accrued annual leave at December 31, 2013, was \$62,548.53. The City has estimated a liability for sick leave earned, but not taken by City employees in the amount of \$40,154.40 at December 31, 2013.

Other Post Employment Benefit Obligations:

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the Federal government for this coverage. The Premium is paid in full by the insured. There is no cost the City under this program.

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. Those individuals that retire on or after January 1, 2004, the City will cover one-half of the cost of a single health insurance plan until the retiree reaches the age of 65. The City has estimated a liability in the following schedule of benefits paid and payable for eligible employees which have taken the retirement option as of December 31, 2013:

<u>Paid or Payable</u>	<u>Year Ended</u>	<u>Amount</u>
Paid	2013	\$ 7,568.29
Payable	2014	6,424.08
Payable	2015	6,424.08
Payable	2016	3,479.71
Payable	2017	3,212.04
Payable	2018	3,212.04
Payable	2019	3,212.04

12. LEASING ACTIVITIES

The City leased a building to Stormont-Vail HealthCare, Inc. under twenty year operating lease beginning April 1, 2006. Rent collected during the year ended December 31, 2013 was \$54,004.68.

The City leased a building to Tigtwad Bank under a month to month operating lease beginning June 1, 2011. Rent collected during the year ended December 31, 2013 was \$23,820.00.

The City leased tracts of real estate to Lewis Meek under a three year operating lease beginning October 28, 2013. The first rental payment is due February 1, 2014.

The City leased a tract of real estate to Dale and Sharon Stromgren under a yearly operating lease beginning June 28, 2013. Rent collected during the year ended December 31, 2013 was \$2,457.00.

Future minimum lease payments under the lease agreements are as follows:

2014	\$ 54,739.68
2015	54,739.68
2016	54,739.68
2017	54,004.68
2018	54,004.68
2019-2023	270,023.40
2024-2026	121,510.53

13. CONTINGENT LIABILITIES

In the normal course of operations, the City receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

14. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

The City has been unable to obtain workers' compensation insurance at a cost it considers to be economically justifiable. For this reason, the City has joined together with other cities in the State to participate in Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for participating members. The City pays annual premium to KMIT for its workers' compensation insurance coverage. The agreement to participate provides that KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of a stated dollar amount for each insurance event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT management.

15. ECONOMIC DEPENDENCY

In 2013 the City sold the 54,239,000 gallons to Osage County Rural Water Supply District No. 7, which accounted for 33.24% of the total gallons sold and sold 35,771,000 gallons to the City of Burlingame, which accounted for 21.92% of the total gallons sold.

In 2013 the City purchased 32,357,415 gallons of its water sold from the State of Kansas from Melvern Lake, which accounted for 20.42% of the total raw water gallons supplied.

In 2013, the City collected 32.28% of its electric utility revenues from Orbis Corporation.

In 2013 the City purchased and generated 35,991,458 KWH's of energy as follows:

	KWH's			
	<u>Purchased</u>	<u>Generated</u>	<u>Total</u>	<u>Percent</u>
GRDA	21,108,000	--	21,108,000	58.65%
WAPA	2,452,696	--	2,452,696	6.81%
Westar	12,347,760	--	12,347,760	34.31%
Osage City	--	<u>83,002</u>	<u>83,002</u>	<u>0.23%</u>
Total	<u>35,908,456</u>	<u>83,002</u>	<u>35,991,458</u>	<u>100.00%</u>

16. COMMITMENTS AND CONTINGENCIES

The City has entered into a ten year agreement with Osage County Rural Water Supply District No. 7 for the maximum water supply of 87,600,000 gallons annually effective until June 30, 2021, with an automatic five year renewal.

The City has entered into a forty year agreement with City of Burlingame, Kansas for the maximum daily water supply of 250,000 gallons effective until 2032. The City reached an agreement on October 14, 2005 to increase the maximum daily water supply to 350,000 gallons due to the addition of the City of Harveyville, which flows through the City of Burlingame. In exchange for the sale of water, the City of Burlingame will pay to the City a base fee of \$1,244.74 monthly.

The City has entered into a forty year agreement with the State of Kansas for the purchase of water up to 100 million gallons annually from Melvern Lake effective until 2033.

The City has entered into two long term base load energy contracts with (KMEA) Kansas Municipal Energy Agency. The first is for .7 MW of energy supplied by WAPA (Western Area Power Administration) and the second one is for 2.75 MW of energy and is supplied by GRDA (Grand River Dam Authority). These arrangements are in place through 2026 and 2024, respectively. Beginning on January 1, 2014, the balance of the City's energy requirements will be supplied by KMEA through the recent creation of the EMP-3, an energy management project consisting of Osage City and nine other Kansas municipalities. The new power supply will include 1 MW purchase of energy from KCP&L with the final energy needs being supplied with purchases from the market or by the city owned generation.

17. INTERFUND TRANSFERS

Operating and residual transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
Natural Gas Utility	General	K.S.A. 12-825d	\$ 87,000.00
Natural Gas Utility	Capital Improvement	K.S.A. 12-1-118	67,000.00
Natural Gas Utility	Equipment Reserve	K.S.A. 10-1,117	17,000.00
Sewer Utility	General	K.S.A. 12-825d	7,000.00
Sewer Utility	Capital Improvement	K.S.A. 12-1-118	7,000.00
Sewer Utility	Equipment Reserve	K.S.A. 10-1,117	6,000.00
Electric Utility	General	K.S.A. 12-825d	120,000.00
Electric Utility	Capital Improvement	K.S.A. 12-1-118	110,000.00
Electric Utility	Equipment Reserve	K.S.A. 10-1,117	40,000.00
Electric Utility	Energy Efficiency	K.S.A. 12-825d	14,819.28
Electric Utility	Bond and Interest	K.S.A. 12-825d	353,700.00
Water Utility	General	K.S.A. 12-825d	53,000.00
Water Utility	Capital Improvement	K.S.A. 12-1-118	33,000.00
Water Utility	Equipment Reserve	K.S.A. 10-1,117	2,300.00
Water Utility	Public Building Commission	K.S.A. 12-825d	149,350.00
Water Utility	Bond and Interest	K.S.A. 12-825d	191,850.00
Sanitation Utility	General	K.S.A. 12-825d	10,500.00
Sanitation Utility	Capital Improvement	K.S.A. 12-1-118	10,500.00
Sanitation Utility	Equipment Reserve	K.S.A. 10-1,117	21,970.00
General	Bond and Interest	K.S.A. 12-197	115,100.00
General	Capital Improvement	K.S.A. 12-1-118	161,073.81
General	Equipment Reserve	K.S.A. 10-1,117	20,000.00
General	Pool Capital Improvement	K.S.A. 12-1-118	82,734.32
Special Highway	Bond and Interest	K.S.A. 12-195	75,575.00

18. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statement. However, subsequent to year end the City has issued \$525,000.00 in general obligation bonds to cover shortfalls in dam rehabilitation and lake dredging projects.

SUPPLEMENTAL INFORMATION

CITY OF OSAGE CITY, KANSAS

Summary of Expenditures - Actual and Budget
 (Budgeted Funds Only)
 Regulatory Basis
 For the Year Ended December 31, 2013

Funds	Certified Budget	Adjustments for		Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
		Budget Credits	Budget Credits			
General Fund	\$ 2,524,580.00	\$ 43,919.45	\$ 2,568,499.45	\$ 2,442,436.45	\$ (126,063.00)	
Special Purpose Funds:						
Airport	315,000.00	-	315,000.00	140,177.34	(174,822.66)	
Library	144,460.00	-	144,460.00	139,781.31	(4,678.69)	
Special Safety Equipment Reserve	30,000.00	-	30,000.00	12,087.63	(17,912.37)	
Special Parks and Recreation	-	-	-	-	-	
Cemetery	-	-	-	-	-	
Special Highway	75,575.00	-	75,575.00	75,575.00	-	
Bond and Interest Funds:						
Bond and Interest	956,328.00	-	956,328.00	959,753.13	3,425.13	
Business Funds:						
Electric Utility	4,562,178.00	22,124.43	4,584,302.43	4,143,744.18	(440,558.25)	
Water Utility	1,137,027.00	1,014.23	1,138,041.23	1,139,637.87	1,596.64	
Natural Gas Utility	2,923,695.00	349.70	2,924,044.70	1,961,763.59	(962,281.11)	
Sewer Utility	173,465.00	-	173,465.00	171,156.14	(2,308.86)	
Sanitation Utility	374,614.00	-	374,614.00	331,476.40	(43,137.60)	

CITY OF OSAGE CITY, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipt			
Ad Valorem Property Tax	\$ 581,372.02	\$ 614,332.00	\$ (32,959.98)
Delinquent Tax	14,006.20	-	14,006.20
Motor Vehicle Tax	76,388.15	78,793.00	(2,404.85)
Recreational Vehicle Tax	983.02	1,163.00	(179.98)
16/20M Vehicle Tax	-	1,212.00	(1,212.00)
Sales Tax	585,540.05	493,800.00	91,740.05
Franchise Tax	16,023.89	27,000.00	(10,976.11)
Special Assessments	625.00	-	625.00
Intergovernmental			
Local Alcoholic Liquor Tax	2,979.61	4,240.00	(1,260.39)
County Grants	600.00	-	600.00
State Grants	7,506.83	7,850.00	(343.17)
Federal Grants	8,062.70	-	8,062.70
Fines, Forfeitures and Penalties			
Fines	19,770.08	17,800.00	1,970.08
Licenses and Permits			
Licenses, Permits & Fees	11,022.62	6,000.00	5,022.62
Charges for Services			
Burial Fees	3,350.00	2,500.00	850.00
Cemetery Lots	2,100.00	2,500.00	(400.00)
Swimming Pool	25,281.70	27,000.00	(1,718.30)
User Fees	1,388.50	-	1,388.50
Administrative Fees	614,500.00	614,500.00	-
Animal Control Fees	3,678.25	2,300.00	1,378.25
Youth Program Fees	37,083.25	30,000.00	7,083.25
Concessions	17,497.60	16,000.00	1,497.60
BBQ Bucks	11,671.00	6,000.00	5,671.00
Sponsor User Fees	9,255.00	7,500.00	1,755.00
Vendor User Fees	8,200.00	10,000.00	(1,800.00)
Use of Money and Property			
Interest Income	6,494.04	6,500.00	(5.96)
Rental Income	7,150.68	84,120.00	(76,969.32)

CITY OF OSAGE CITY, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts (Continued)			
Other Receipts			
Donations	\$ 2,260.00	\$ 250.00	\$ 2,010.00
Miscellaneous	17,643.56	2,500.00	15,143.56
Reimbursed Expense	43,919.45	10,000.00	33,919.45
Operating Transfers from:			
Natural Gas Utility Fund	87,000.00	87,000.00	-
Sewer Utility Fund	7,000.00	7,000.00	-
Electric Utility Fund	120,000.00	120,000.00	-
Water Utility Fund	53,000.00	53,000.00	-
Sanitation Utility Fund	10,500.00	10,500.00	-
Total Receipts	<u>2,413,853.20</u>	<u>\$ 2,351,360.00</u>	<u>\$ 62,493.20</u>
Expenditures			
General Administration			
Personal Services	303,054.02	\$ 320,685.00	\$ (17,630.98)
Contractual Services	195,900.84	157,732.00	38,168.84
Commodities	15,092.95	21,450.00	(6,357.05)
Capital Outlay	4,337.28	20,500.00	(16,162.72)
Non-Expense Items	1,970.67	1,250.00	720.67
Police Department			
Personal Services	356,098.72	370,742.00	(14,643.28)
Contractual Services	50,815.95	46,500.00	4,315.95
Commodities	22,018.78	30,750.00	(8,731.22)
Capital Outlay	1,039.00	100.00	939.00
Non-Expense Items	2,274.50	2,600.00	(325.50)
Utility Administration			
Personal Services	77,528.87	78,994.00	(1,465.13)
Contractual Services	-	2,500.00	(2,500.00)
Commodities	755.94	1,650.00	(894.06)
Capital Outlay	-	300.00	(300.00)
Street Department			
Personal Services	213,696.21	225,734.00	(12,037.79)
Contractual Services	37,512.12	43,450.00	(5,937.88)
Commodities	72,221.23	67,750.00	4,471.23
Capital Outlay	170.00	2,700.00	(2,530.00)

CITY OF OSAGE CITY, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Expenditures (Continued)			
Property Department			
Personal Services	\$ 81,495.02	\$ 89,558.00	\$ (8,062.98)
Contractual Services	15,568.52	11,950.00	3,618.52
Commodities	5,907.94	10,300.00	(4,392.06)
Capital Outlay	185.00	250.00	(65.00)
Economic Development			
Contractual Services	34,003.18	32,000.00	2,003.18
Commodities	12,986.31	20,000.00	(7,013.69)
Non-Expense Items	-	750.00	(750.00)
Tree Board			
Contractual Services	1,030.00	2,000.00	(970.00)
Commodities	1,774.68	2,000.00	(225.32)
Community Improvement			
Personal Services	15,424.08	16,080.00	(655.92)
Contractual Services	28,863.49	24,500.00	4,363.49
Commodities	2,022.53	1,400.00	622.53
Capital Outlay	-	200.00	(200.00)
Non-Expense Items	-	100.00	(100.00)
Recreation Department			
Personal Services	82,067.77	86,799.00	(4,731.23)
Contractual Services	14,420.36	26,050.00	(11,629.64)
Commodities	42,596.32	36,350.00	6,246.32
Capital Outlay	217.05	500.00	(282.95)
Non-Expense Items	2,454.78	750.00	1,704.78
Parks Department			
Personal Services	77,920.18	90,131.00	(12,210.82)
Contractual Services	58,964.90	64,500.00	(5,535.10)
Commodities	24,860.49	41,050.00	(16,189.51)
Capital Outlay	402.05	150.00	252.05
Non-Expense Items	2,225.00	4,000.00	(1,775.00)
Pool Department			
Personal Services	65,262.39	67,100.00	(1,837.61)
Contractual Services	32,839.55	29,900.00	2,939.55
Commodities	22,787.15	31,400.00	(8,612.85)

CITY OF OSAGE CITY, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Expenditures (Continued)			
Debt Service			
Principal	\$ 75,000.00	\$ 82,800.00	\$ (7,800.00)
Interest	7,762.50	-	7,762.50
Operating Transfers to:			
Bond and Interest Fund	115,100.00	192,925.00	(77,825.00)
Capital Improvement Fund	161,073.81	50,000.00	111,073.81
Equipment Reserve Fund	20,000.00	20,000.00	-
Pool Capital Improvement Fund	82,734.32	93,700.00	(10,965.68)
Total Certified Budget		2,524,580.00	(82,143.55)
Adjustments for Qualifying			
Budget Credits		43,919.45	(43,919.45)
Total Expenditures	2,442,436.45	\$ 2,568,499.45	\$ (126,063.00)
Receipts Over(Under) Expenditures	(28,583.25)		
Unencumbered Cash, Beginning	388,113.84		
Unencumbered Cash, Ending	\$ 359,530.59		

CITY OF OSAGE CITY, KANSAS
AIRPORT FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipt			
Ad Valorem Property Tax	\$ 2,687.90	\$ 2,802.00	\$ (114.10)
Delinquent Tax	553.04	-	553.04
Motor Vehicle Tax	3,807.47	3,943.00	(135.53)
Recreational Vehicle Tax	49.20	58.00	(8.80)
16/20M Vehicle Tax	-	61.00	(61.00)
Intergovernmental			
Federal Grants	-	275,500.00	(275,500.00)
Use of Money and Property			
Rental Income	11,058.73	10,500.00	558.73
Other Receipts			
Reimbursed Expense	81.39	-	81.39
Total Receipts	<u>18,237.73</u>	<u>\$ 292,864.00</u>	<u>\$ (274,626.27)</u>
Expenditures			
General Government			
Contractual Services	27,628.42	\$ 22,200.00	\$ 5,428.42
Commodities	87,433.92	1,300.00	86,133.92
Capital Outlay	25,115.00	291,500.00	(266,385.00)
Total Expenditures	<u>140,177.34</u>	<u>\$ 315,000.00</u>	<u>\$ (174,822.66)</u>
Receipts Over(Under) Expenditures	(121,939.61)		
Unencumbered Cash, Beginning	<u>38,668.76</u>		
Unencumbered Cash, Ending	<u>\$ (83,270.85)</u>		

CITY OF OSAGE CITY, KANSAS
LIBRARY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipt			
Ad Valorem Property Tax	\$ 119,716.13	\$ 126,507.00	\$ (6,790.87)
Delinquent Tax	3,072.60	-	3,072.60
Motor Vehicle Tax	16,871.20	17,428.00	(556.80)
Recreational Vehicle Tax	217.42	257.00	(39.58)
16/20M Vehicle Tax	-	268.00	(268.00)
Other Receipts			
Miscellaneous	-	3,685.00	(3,685.00)
Total Receipts	<u>139,877.35</u>	<u>\$ 148,145.00</u>	<u>\$ (8,267.65)</u>
Expenditures			
Culture and Recreation			
Appropriations	139,781.31	\$ 144,460.00	\$ (4,678.69)
Total Expenditures	<u>139,781.31</u>	<u>\$ 144,460.00</u>	<u>\$ (4,678.69)</u>
Receipts Over(Under) Expenditures	96.04		
Unencumbered Cash, Beginning	<u>(96.04)</u>		
Unencumbered Cash, Ending	<u>\$ -</u>		

CITY OF OSAGE CITY, KANSAS
SPECIAL SAFETY EQUIPMENT RESERVE FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipt			
Ad Valorem Property Tax	\$ 27,977.98	\$ 29,609.00	\$ (1,631.02)
Delinquent Tax	340.14	-	340.14
Motor Vehicle Tax	2,548.88	2,681.00	(132.12)
Recreational Vehicle Tax	33.42	40.00	(6.58)
16/20M Vehicle Tax	-	41.00	(41.00)
Total Receipts	<u>30,900.42</u>	<u>\$ 32,371.00</u>	<u>\$ (1,470.58)</u>
Expenditures			
General Government			
Commodities	-	\$ 1,500.00	\$ (1,500.00)
Capital Outlay	12,087.63	28,500.00	(16,412.37)
Total Expenditures	<u>12,087.63</u>	<u>\$ 30,000.00</u>	<u>\$ (17,912.37)</u>
Receipts Over(Under) Expenditures	18,812.79		
Unencumbered Cash, Beginning	<u>27,098.44</u>		
Unencumbered Cash, Ending	<u>\$ 45,911.23</u>		

CITY OF OSAGE CITY, KANSAS
SPECIAL PARKS AND RECREATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipt			
Delinquent Tax	\$ 426.11	\$ -	\$ 426.11
Intergovernmental			
Local Alcoholic Liquor Tax	2,979.59	4,240.00	(1,260.41)
Total Receipts	3,405.70	\$ 4,240.00	\$ (834.30)
Expenditures			
Culture and Recreation			
Commodities	-	\$ -	\$ -
Total Expenditures	-	\$ -	\$ -
Receipts Over(Under) Expenditures	3,405.70		
Unencumbered Cash, Beginning	13,164.99		
Unencumbered Cash, Ending	<u>\$ 16,570.69</u>		

CITY OF OSAGE CITY, KANSAS
CEMETERY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Use of Money and Property			
Interest Income	\$ -	\$ -	\$ -
Total Receipts	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures			
Perpetual Care			
Capital Outlay	-	\$ -	\$ -
Total Expenditures	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts Over(Under) Expenditures	-		
Unencumbered Cash, Beginning	<u>14,474.78</u>		
Unencumbered Cash, Ending	<u>\$ 14,474.78</u>		

CITY OF OSAGE CITY, KANSAS
SPECIAL HIGHWAY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipt			
Highway Gas Tax	\$ 73,658.56	\$ 76,600.00	\$ (2,941.44)
Total Receipts	<u>73,658.56</u>	<u>\$ 76,600.00</u>	<u>\$ (2,941.44)</u>
Expenditures			
Operating Transfers to			
Bond and Interest Fund	<u>75,575.00</u>	<u>\$ 75,575.00</u>	<u>\$ -</u>
Total Expenditures	<u>75,575.00</u>	<u>\$ 75,575.00</u>	<u>\$ -</u>
Receipts Over(Under) Expenditures	(1,916.44)		
Unencumbered Cash, Beginning	<u>28,964.78</u>		
Unencumbered Cash, Ending	<u>\$ 27,048.34</u>		

CITY OF OSAGE CITY, KANSAS
CAPITAL IMPROVEMENT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2013

	<u>Current Year Actual</u>
Receipts	
Taxes and Shared Receipts	
Special Assessments	\$ 11,629.97
Other Receipts	
Miscellaneous	16,000.00
Operating Transfers from:	
General Fund	161,073.81
Electric Utility Fund	110,000.00
Water Utility Fund	33,000.00
Natural Gas Utility Fund	67,000.00
Sewer Utility Fund	7,000.00
Sanitation Utility Fund	<u>10,500.00</u>
Total Receipts	<u>416,203.78</u>
Expenditures	
General Government	
Contractual Services	12,660.70
Capital Outlay	<u>302,479.70</u>
Total Expenditures	<u>315,140.40</u>
Receipts Over(Under) Expenditures	101,063.38
Unencumbered Cash, Beginning	<u>646,458.69</u>
Unencumbered Cash, Ending	<u><u>\$ 747,522.07</u></u>

CITY OF OSAGE CITY, KANSAS
POOL CAPITAL IMPROVEMENT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year Actual
Receipts	
Operating Transfers from General Fund	\$ 82,734.32
Total Receipts	82,734.32
Expenditures	
General Government Contractual Services	-
Total Expenditures	-
Receipts Over(Under) Expenditures	82,734.32
Unencumbered Cash, Beginning	75,911.02
Unencumbered Cash, Ending	\$ 158,645.34

CITY OF OSAGE CITY, KANSAS
EQUIPMENT RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2013

	<u>Current Year Actual</u>
Receipts	
Operating Transfers from:	
General Fund	\$ 20,000.00
Electric Utility Fund	40,000.00
Water Utility Fund	2,300.00
Natural Gas Utility Fund	17,000.00
Sewer Utility Fund	6,000.00
Sanitation Utility Fund	<u>21,970.00</u>
 Total Receipts	 <u>107,270.00</u>
 Expenditures	
General Government	
Capital Outlay	44,468.00
Debt Service	
Principal	49,419.43
Interest	<u>2,501.10</u>
 Total Expenditures	 <u>96,388.53</u>
 Receipts Over(Under) Expenditures	 10,881.47
 Unencumbered Cash, Beginning	 <u>468,108.61</u>
 Unencumbered Cash, Ending	 <u><u>\$ 478,990.08</u></u>

CITY OF OSAGE CITY, KANSAS
ENERGY EFFICIENCY FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year Actual
Receipts	
Use of Money and Property	
Notes Receivable	
Principal Payments	\$ 8,691.84
Interest Payments	462.00
Interest Income	56.35
Operating Transfers from	
Electric Utility Fund	14,819.28
Total Receipts	24,029.47
Expenditures	
General Government	
Non-Expense Items	9,017.84
Total Expenditures	9,017.84
Receipts Over(Under) Expenditures	15,011.63
Unencumbered Cash, Beginning	59,662.40
Unencumbered Cash, Ending	\$ 74,674.03

CITY OF OSAGE CITY, KANSAS
PUBLIC BUILDING COMMISSION FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2013

	<u>Current Year Actual</u>
Receipts	
Use of Money and Property	
Interest Income	\$ 1,735.98
Other Receipts	
Miscellaneous	725.00
Operating Transfers from Water Utility Fund	<u>149,350.00</u>
Total Receipts	<u>151,810.98</u>
Expenditures	
General Government	
Capital Outlay	1,580,063.57
Debt Service	
Principal	65,000.00
Interest	<u>84,331.26</u>
Total Expenditures	<u>1,729,394.83</u>
Receipts Over(Under) Expenditures	(1,577,583.85)
Unencumbered Cash, Beginning	<u>1,783,232.93</u>
Unencumbered Cash, Ending	<u><u>\$ 205,649.08</u></u>

CITY OF OSAGE CITY, KANSAS
BOND AND INTEREST FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipt			
Ad Valorem Property Tax	\$ 14,474.26	\$ 15,284.00	\$ (809.74)
Delinquent Tax	1,031.39	-	1,031.39
Motor Vehicle Tax	6,600.08	6,890.00	(289.92)
Recreational Vehicle Tax	85.94	102.00	(16.06)
16/20M Vehicle Tax	-	106.00	(106.00)
Special Assessments	39,359.87	32,300.00	7,059.87
Use of Money and Property			
Rental Income	77,825.00	-	77,825.00
Operating Transfers from:			
General Fund	115,100.00	192,925.00	(77,825.00)
Electric Utility Fund	353,700.00	353,700.00	-
Water Utility Fund	191,850.00	191,850.00	-
Special Highway Fund	75,575.00	75,575.00	-
Total Receipts	<u>875,601.54</u>	<u>\$ 868,732.00</u>	<u>\$ 6,869.54</u>
Expenditures			
Debt Service			
Principal	810,000.00	\$ 760,000.00	\$ 50,000.00
Interest	149,753.13	196,228.00	(46,474.87)
Other Bond Issuance Fees	-	100.00	(100.00)
Total Expenditures	<u>959,753.13</u>	<u>\$ 956,328.00</u>	<u>\$ 3,425.13</u>
Receipts Over(Under) Expenditures	(84,151.59)		
Unencumbered Cash, Beginning	<u>88,941.90</u>		
Unencumbered Cash, Ending	<u>\$ 4,790.31</u>		

CITY OF OSAGE CITY, KANSAS
ELECTRIC UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Charges for Services			
Consumer Sales	\$ 4,175,768.14	\$ 4,598,093.00	\$ (422,324.86)
Other Fees	15,338.35	5,100.00	10,238.35
Other Receipts			
Miscellaneous	3,103.84	500.00	2,603.84
Reimbursed Expense	22,124.43	9,000.00	13,124.43
Total Receipts	<u>4,216,334.76</u>	<u>\$ 4,612,693.00</u>	<u>\$ (396,358.24)</u>
Expenditures			
Administration			
Contractual Services	323,452.51	\$ 342,450.00	\$ (18,997.49)
Commodities	35.97	200.00	(164.03)
Capital Outlay	4,055.14	5,000.00	(944.86)
Production			
Personal Services	200,513.12	216,817.00	(16,303.88)
Contractual Services	86,899.91	167,300.00	(80,400.09)
Commodities	2,311,626.69	2,647,740.00	(336,113.31)
Capital Outlay	-	4,000.00	(4,000.00)
Distribution			
Personal Services	240,673.20	253,698.00	(13,024.80)
Contractual Services	24,652.50	43,100.00	(18,447.50)
Commodities	61,242.45	43,950.00	17,292.45
Capital Outlay	94,078.20	34,900.00	59,178.20
Non-Operating Expense			
Sales Taxes	124,834.65	142,423.00	(17,588.35)
Utility Account Refund	63.86	750.00	(686.14)
Utility Incentive Rebate	-	3,000.00	(3,000.00)
Debt Service			
Principle	32,980.60	29,850.00	3,130.60
Interest	116.10	3,300.00	(3,183.90)

CITY OF OSAGE CITY, KANSAS
ELECTRIC UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Expenditures (Continued)			
Operating Transfers to:			
General Fund	\$ 120,000.00	\$ 120,000.00	\$ -
Bond and Interest Fund	353,700.00	353,700.00	-
Capital Improvement Fund	110,000.00	110,000.00	-
Equipment Reserve Fund	40,000.00	40,000.00	-
Energy Efficiency Fund	14,819.28	-	14,819.28
Total Certified Budget		4,562,178.00	(418,433.82)
Adjustments for Qualifying Budget Credits		22,124.43	(22,124.43)
Total Expenditures	4,143,744.18	\$ 4,584,302.43	\$ (440,558.25)
Receipts Over(Under) Expenditures	72,590.58		
Unencumbered Cash, Beginning	1,630,088.17		
Unencumbered Cash, Ending	\$ 1,702,678.75		

CITY OF OSAGE CITY, KANSAS
WATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Charges for Services			
Consumer Sales	\$ 1,091,783.22	\$ 1,215,346.00	\$ (123,562.78)
Other Fees	2,320.00	-	2,320.00
Other Receipts			
Miscellaneous	109,553.43	1,000.00	108,553.43
Reimbursed Expense	1,014.23	10,000.00	(8,985.77)
	<u>1,204,670.88</u>	<u>\$ 1,226,346.00</u>	<u>\$ (21,675.12)</u>
Expenditures			
Production			
Personal Services	117,850.74	\$ 126,986.00	\$ (9,135.26)
Contractual Services	166,252.11	173,000.00	(6,747.89)
Commodities	61,530.11	90,250.00	(28,719.89)
Capital Outlay	147,413.75	48,000.00	99,413.75
Non-Expense Items	-	5,000.00	(5,000.00)
Distribution			
Personal Services	62,687.98	65,941.00	(3,253.02)
Contractual Services	16,894.47	26,500.00	(9,605.53)
Commodities	24,838.80	35,450.00	(10,611.20)
Capital Outlay	1,196.50	11,100.00	(9,903.50)
Non-Expense Items	-	1,000.00	(1,000.00)
Administration			
Contractual Services	97,272.35	105,100.00	(7,827.65)
Commodities	3.29	400.00	(396.71)
Capital Outlay	4,055.12	4,200.00	(144.88)
Non-Operating Expense			
Sales Taxes	10,125.49	9,500.00	625.49
Utility Account Refund	17.16	100.00	(82.84)
Government Pass Thru Payment	-	5,000.00	(5,000.00)

CITY OF OSAGE CITY, KANSAS
WATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Expenditures (Continued)			
Operating Transfers to:			
General Fund	\$ 53,000.00	\$ 53,000.00	\$ -
Bond and Interest Fund	191,850.00	191,850.00	-
Capital Improvement Fund	33,000.00	33,000.00	-
Equipment Reserve Fund	2,300.00	2,300.00	-
Public Building Commission Fund	149,350.00	149,350.00	-
Total Certified Budget		1,137,027.00	2,610.87
Adjustments for Qualifying			
Budget Credits		1,014.23	(1,014.23)
Total Expenditures	1,139,637.87	\$ 1,138,041.23	\$ 1,596.64
Receipts Over(Under) Expenditures	65,033.01		
Unencumbered Cash, Beginning	412,922.84		
Unencumbered Cash, Ending	\$ 477,955.85		

CITY OF OSAGE CITY, KANSAS
NATURAL GAS UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Charges for Services			
Consumer Sales	\$ 1,148,696.74	\$ 1,567,150.00	\$ (418,453.26)
Other Fees	2,510.00	-	2,510.00
Use of Money and Property			
Bond Proceeds	665,000.00	1,500,000.00	(835,000.00)
Other Receipts			
Miscellaneous	44,534.21	-	44,534.21
Reimbursed Expense	349.70	-	349.70
Total Receipts	1,861,090.65	\$ 3,067,150.00	\$ (1,206,059.35)
Expenditures			
Distribution			
Personal Services	55,262.87	\$ 58,095.00	\$ (2,832.13)
Contractual Services	32,450.00	23,200.00	9,250.00
Commodities	47,057.95	47,750.00	(692.05)
Capital Outlay	735,347.12	1,513,500.00	(778,152.88)
Administration			
Contractual Services	214,967.47	214,750.00	217.47
Commodities	645,406.49	850,200.00	(204,793.51)
Capital Outlay	25,141.71	4,500.00	20,641.71
Non-Operating Expense			
Sales Taxes	35,040.10	40,000.00	(4,959.90)
Utility Account Refund	89.88	700.00	(610.12)

CITY OF OSAGE CITY, KANSAS
NATURAL GAS UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Expenditures			
Operating Transfers to:			
General Fund	\$ 87,000.00	\$ 87,000.00	\$ -
Capital Improvement Fund	67,000.00	67,000.00	-
Equipment Reserve Fund	17,000.00	17,000.00	-
Total Certified Budget		2,923,695.00	(961,931.41)
Adjustments for Qualifying Budget Credits		349.70	(349.70)
Total Expenditures	1,961,763.59	<u>\$ 2,924,044.70</u>	<u>\$ (962,281.11)</u>
Receipts Over(Under) Expenditures	(100,672.94)		
Unencumbered Cash, Beginning	640,941.13		
Unencumbered Cash, Ending	<u>\$ 540,268.19</u>		

CITY OF OSAGE CITY, KANSAS
SEWER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Charges for Services			
Consumer Sales	\$ 277,394.83	\$ 265,000.00	\$ 12,394.83
Other Fees	250.00	-	250.00
Total Receipts	277,644.83	\$ 265,000.00	\$ 12,644.83
Expenditures			
Collection and Treatment			
Personal Services	75,350.84	\$ 69,115.00	\$ 6,235.84
Contractual Services	61,960.70	63,850.00	(1,889.30)
Commodities	13,710.60	15,500.00	(1,789.40)
Capital Outlay	134.00	5,000.00	(4,866.00)
Operating Transfers to:			
General Fund	7,000.00	7,000.00	-
Capital Improvement Fund	7,000.00	7,000.00	-
Equipment Reserve Fund	6,000.00	6,000.00	-
Total Expenditures	171,156.14	\$ 173,465.00	\$ (2,308.86)
Receipts Over(Under) Expenditures	106,488.69		
Unencumbered Cash, Beginning	249,831.54		
Unencumbered Cash, Ending	<u>\$ 356,320.23</u>		

CITY OF OSAGE CITY, KANSAS
SANITATION UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2013

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Charges for Services			
Consumer Sales	\$ 321,142.16	\$ 330,000.00	\$ (8,857.84)
Other Receipts			
Reimbursed Expense	673.50	-	673.50
Total Receipts	321,815.66	\$ 330,000.00	\$ (8,184.34)
Expenditures			
Collection			
Personal Services	125,010.01	\$ 139,819.00	\$ (14,808.99)
Contractual Services	111,065.08	129,150.00	(18,084.92)
Commodities	25,183.22	35,200.00	(10,016.78)
Capital Outlay	-	27,475.00	(27,475.00)
Debt Service			
Principal	26,432.21	-	26,432.21
Interest	815.88	-	815.88
Operating Transfers to:			
General Fund	10,500.00	10,500.00	-
Capital Improvement Fund	10,500.00	10,500.00	-
Equipment Reserve Fund	21,970.00	21,970.00	-
Total Expenditures	331,476.40	\$ 374,614.00	\$ (43,137.60)
Receipts Over(Under) Expenditures	(9,660.74)		
Unencumbered Cash, Beginning	112,929.55		
Unencumbered Cash, Ending	<u>\$ 103,268.81</u>		

CITY OF OSAGE CITY, KANSAS
AGENCY FUNDS
 Schedule of Receipts and Disbursements
 Regulatory Basis
 For the Year Ended December 31, 2013

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Payroll Clearing Fund	\$ 12,065.74	\$1,865,318.81	\$1,802,207.86	\$ 75,176.69
Court Bond	552.00	-	-	552.00
Golf Course	15,126.92	5,000.00	-	20,126.92
Utility Deposits	71,931.47	35,518.50	31,576.00	75,873.97
Special Enforcement	484.33	0.12	-	484.45
	<u>\$ 100,160.46</u>	<u>\$1,905,837.43</u>	<u>\$1,833,783.86</u>	<u>\$ 172,214.03</u>



Honorable Mayor and City Council
City of Osage City, Kansas

In planning and performing our audit of the financial statement of the City of Osage City, Kansas as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered City of Osage City, Kansas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Osage City, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Osage City, Kansas' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, City Council, others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
April 10, 2014

Jarred, Gilmore & Phillips, PA
CERTIFIED PUBLIC ACCOUNTANTS

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