

**CITY OF ALMA, KANSAS**  
**FINANCIAL STATEMENT**  
**WITH INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**INDEPENDENT AUDITORS' REPORT**

To the Mayor and City Council  
City of Alma  
Alma, Kansas 66401

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of the City of Alma, Kansas, as of and for the year ended December 31, 2011. This financial statement is the responsibility of the City of Alma's management. 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City of Alma, Kansas has prepared this financial statement 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 effect on the financial statement of the variances between these statutory 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 discussed in the preceding 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 the City of Alma, Kansas, as of December 31, 2011, or the respective changes in its financial position and changes in cash flows, where applicable, for the year then ended. Further, the City of Alma 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 a part of, the basic financial statement.

In our opinion the financial statement referred to in the first paragraph above presents fairly, in all material respects, the cash and unencumbered cash balances of each fund of the City of Alma, Kansas as of December 31, 2011, and its cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures - actual and budget, individual fund schedules of cash receipts and expenditures-actual and budget, and schedule of cash receipts and expenditures-agency funds (Schedules 1, 2, and 3 as listed in the table of contents) are

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presented for analysis and are not a required part of the statutory financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of states, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statement. 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 financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the 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 financial statement as a whole.

*Pottberg, Gassman & Hoffman, Chartered.*

Pottberg, Gassman & Hoffman, Chartered  
Manhattan, Kansas  
June 11, 2012

**CITY OF ALMA, KANSAS**  
**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Funds	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	1,479	-	453,602	449,041	6,040	-	6,040
Special Revenue Funds:							
Special Fire	-	-	2	2	-	-	-
Special Highway	-	-	20,579	20,579	-	-	-
Recreation	-	-	11,207	11,207	-	-	-
Special Parks and Recreation	2,341	-	2,206	3,000	1,547	-	1,547
Employee Benefits	189	-	169,537	169,556	170	-	170
Sales Tax Project	54,595	-	84,030	61,236	77,389	-	77,389
Capital Improvements	26,625	-	4,408	21,335	9,698	-	9,698
Equipment Reserve	156,720	-	14,000	12,346	158,374	-	158,374
KLINK	50,141	-	20,579	-	70,720	-	70,720
Perpetual Care	23,746	-	377	-	24,123	-	24,123
Water Reserve	175,130	-	32,460	33,980	173,610	-	173,610
Sewer Reserve	133,828	-	126,722	86,984	173,566	-	173,566
Gas Reserve	60,000	-	36,000	28,400	67,600	-	67,600
Electric Reserve	139,000	-	36,000	-	175,000	-	175,000
Debt Service Funds:							
Water Bond and Interest	28,083	-	33,840	33,830	28,093	-	28,093
Sewer Bond and Interest	13,436	-	19,476	19,470	13,442	-	13,442
2002 Bond Fund	84,579	-	179,628	240,903	23,304	-	23,304
Kansas Partnership Fund	5,072	-	20,064	20,056	5,080	-	5,080
Water Plant (2006 Bond)	47,102	-	79,371	73,552	52,921	-	52,921
Sewer Renovation Loan	204,058	-	178,575	59,858	322,775	-	322,775
Capital Projects Funds:							
Sewer Renovation Project	(204,331)	-	3,080,494	2,701,308	174,855	-	174,855
Collection System Project	36,578	-	105,148	105,124	36,602	-	36,602
Streetscape Project	-	-	61,236	61,236	-	-	-

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

**CITY OF ALMA, KANSAS**  
**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Statement 1

<u>Funds</u>	<u>Beginning</u>	<u>Prior Year</u>	<u>Cash</u>	<u>Expenditures</u>	<u>Ending</u>	<u>Add</u>	<u>Ending</u>
Unencumbered	Unencumbered	Canceled	Receipts	Unencumbered	Unencumbered	Outstanding	Cash Balance
Cash Balance	Cash Balance	Encumbrances	Encumbrances	Cash Balance	Cash Balance	Encumbrances	and Accounts
						Payable	Cash Balance
Proprietary Type Funds:							
Enterprise Funds							
Electric Utility	152,994	-	1,482,898	1,522,515	113,377	-	113,377
Gas Utility	5,391	-	682,118	685,407	2,102	-	2,102
Water Utility	3,260	-	313,055	308,855	7,460	-	7,460
Sewer Utility	33,125	-	314,939	319,630	28,434	-	28,434
<b>Total Primary Government</b>	<b>\$ 1,233,141</b>	<b>-</b>	<b>7,562,551</b>	<b>7,049,410</b>	<b>1,746,282</b>	<b>-</b>	<b>\$ 1,746,282</b>
(excluding agency funds)							
Composition of Cash:							
				Checking / Savings Accounts			\$ 1,746,282
				Certificates of Deposit			-
				Total Cash			<u>1,746,282</u>
				Agency Funds per Schedule 3			-
				Total Primary Government (Excluding Agency Funds)			<u>\$ 1,746,282</u>

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

**CITY OF ALMA, KANSAS**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2011**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **General Statement**

The City of Alma, Kansas is a municipal corporation governed by an elected five member council and mayor. The City provides the following services as authorized by its charter: public works, public safety, recreation and waterworks. This financial statement presents the City of Alma, Kansas.

The accounting and reporting policies of the City relating to the financial statement and the funds included in the accompanying supplemental information conform to the cash basis and budget laws of the State of Kansas. The more significant accounting policies of the City are described below.

B. **Financial Reporting Entity**

The City's financial statement includes the accounts of the primary government operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Alma Recreation Commission is considered a component unit.

The City of Alma Recreation Commission's financial information is reported separately from the City's audited financial statement.

C. **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 regulations, restrictions, or limitations. Certain funds contain restricted cash because their use is limited by debt covenants, statutory requirements, grant requirements or are held in a fiduciary or agency capacity.

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

Governmental Funds:

**General Fund** – The General Fund is the main operating fund of the City. This Fund is used to account for all financial resources not accounted for in other funds, and is therefore unrestricted.

**CITY OF ALMA, KANSAS**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2011**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. **Fund Accounting (Continued)**

**Special Revenue Funds** – The Special Revenue Funds are used to account for the proceeds of specific tax levies and other specific revenue resources (other than Capital Project and tax levies for long-term debt) that are restricted by law to expend for specified purposes.

**Debt Service Funds** – Debt Service Funds are used to account for the accumulation of resources, including tax levies, transfers from other funds, and payment of interest and principal on general long-term debt.

**Capital Project Funds** – Capital Project Funds are used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

**Enterprise Funds** – The Enterprise Funds are financed in whole or in part by fees charged to users of the goods or services. These funds include: Water Utility, Sewer Utility, Gas Utility, and Electric Utility.

**Fiduciary Funds** – Fiduciary Funds are used to report assets held by the City in a trustee or agency capacity for others and which therefore cannot be used to support the City's own programs.

D. **Statutory Basis of Accounting**

The statutory basis of accounting, as used in the preparation of this statutory basis financial statement and supplementary schedules, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, 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 would be charged in the fund from which the transfer is made.

The City 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 City to use the statutory basis of accounting.

E. **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, expenditures, cash and unencumbered cash balances. 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 generally accepted accounting principles. Capital assets that account for the land, buildings and equipment owned by the City are not presented in the financial statement. Also, long-term debt such as general obligation bonds,

**CITY OF ALMA, KANSAS**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2011**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. **Departure from Accounting Principles Generally Accepted in the United States of America (Continued)**

revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statement.

F. **Budgetary Information**

The City Charter establishes the fiscal year as the twelve-month period beginning January 1. The Mayor and City Council prepare a budget of estimated expenditures and receipts for the ensuing fiscal year in accordance with State of Kansas Statutes. These statutes require that an annual operating budget be adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- Preparation of the budget for the ensuing calendar year on or before August 1<sup>st</sup>.
- Publication in the local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
- Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of the notice of hearing.
- Adoption of the final budget on or before August 25<sup>th</sup>.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in receipts 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 statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison 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 statutory basis of accounting in which receipts 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 a contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for agency funds, capital projects funds, and the following special revenue funds: Capital Improvements, Equipment Reserve, KLINK, Perpetual Care, Water Reserve, Sewer Reserve Gas Reserve, and Electric Reserve. Budgetary information is presented in the supplemental schedules.

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

**CITY OF ALMA, KANSAS**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2011**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. **Reclassifications**

Certain amounts in 2010 have been reclassified to conform with the 2011 presentation.

2. **DEPOSITS AND INVESTMENTS**

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, 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. The City had no investments in 2011.

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

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has no designated "peak periods". The types of securities pledged complied with legal requirements at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$1,746,282 and the bank balance was \$1,778,986. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$286,602 was covered by federal depository insurance and \$1,492,384 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

3. **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

References made herein to the statutes are not intended as interpretation of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the City Attorney.

**Budget Law Compliance**

K.S.A. 79-2935 provides that it shall be unlawful for the governing body to create indebtedness in any fund in excess of the adopted budget of expenditures of such fund.

For the year ended December 31, 2011, the following funds were in violation of this statute.

<u>Fund Name</u>	<u>Excess</u>
Employee Benefits	\$18,056
Special Fire	2

**CITY OF ALMA, KANSAS**  
Notes to Financial Statement  
For the Year Ended December 31, 2011

**4. DEFINED BENEFIT PENSION PLAN**

*Plan Description.* The City of Alma participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S Kansas, Suite 100, Topeka, KS 66603-3869) or by calling 1-888-275-5737.

*Funding Policy.* K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary for employees starting prior to July 1, 2009 and 6% of covered salary for employees starting on or after July 1, 2009. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established for calendar year 2011 is 7.74% with a moratorium on the collection of the premium of 1% for Group Death and Disability Insurance making the rate 6.74% from April 1 to June 30, 2011. The City of Alma employer contributions to KPERs for the years ending December 31, 2011, 2010 and 2009 were \$25,229, \$20,154 and \$16,406 respectively, equal to the required contributions for each year as set forth by the legislature.

**5. DEFERRED COMPENSATION PLAN**

The City of Alma, Kansas offers its employees a deferred compensation plan created in accordance with Internal Revenue Code section 457(b). The plan is administered by ING Life Insurance and Annuity Company. The plan is available to all employees and permits them to defer a portion of their salary until future years. The City of Alma does not contribute to the plan.

**6. CAPITAL PROJECTS**

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	<u>Project Authorization</u>	<u>Cash Disbursements and Accounts Payable to Date</u>
Sewer Renovation Project	\$ 3,269,000	\$ 2,989,133
Collection System Project	1,680,000	61,338
Streetscape Project	889,731	106,148

**7. SEWER RENOVATION PROJECT**

The City of Alma began a sewer renovation project in 2007. The project was completed in 2011. Funding for the project was provided by a temporary loan from the Kansas Department of Health and Environment (KDHE) of \$2,472,409. The temporary note was paid-off in 2011 through long term financing from USDA Rural Development in the amount of \$2,869,000 and a CDBG Grant from the Kansas Department of Commerce in the amount of \$400,000. The total amount of funds drawn and used in 2011 is reflected on page 28 of the supplemental schedules. Repayment based on the current loan amount as of December 31, 2011 is reflected on the schedule of long term debt in Note 16.

**CITY OF ALMA, KANSAS**  
Notes to Financial Statement  
For the Year Ended December 31, 2011

**8. COLLECTION SYSTEM PROJECT**

The City of Alma began a collection system project in 2010. The project is expected to be completed in 2012. Funding for the project was provided by temporary financing from Wamego National Bank in the amount of \$100,000 which was paid off in October 2011 with advanced funds from USDA Rural Development. Long-term financing will be provided from USDA Rural Development and is not expected to exceed \$1,680,000. The total grant is expected to be 45% of the project. The total amount of funds drawn and used in 2011 is reflected on page 28 of the supplemental schedules..

**9. STREETSCAPE PROJECT**

The City of Alma began a streetscape project in 2010. The project is expected to be completed in 2012. Funding for the project is provided by sales taxes collected and 80% of the project is provided through the Kansas Department of Transportation's Transportation Enhancement Program. The total amount of funds drawn and used in 2011 is reflected on page 28 of the supplemental schedules.

**10. INTERFUND TRANSACTIONS**

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Equipment Reserve	12-1,117	\$14,000
Water Utility	Water Bond and Interest	12-825d	33,840
Water Utility	Water Reserve	12-825d	32,460
Water Utility	Water Plant (2006 Bond)	12-825d	79,371
Electric Utility	General	12-825d	80,000
Electric Utility	General – Park Valley	12-825d	34,755
Electric Utility	Electric Reserve	12-825d	36,000
Electric Utility	Kansas Partnership Loan	12-825d	20,064
Electric Utility	2002 Bond Fund	12-825d	40,000
Gas Utility	Gas Reserve	12-825d	36,000
Sewer Utility	Sewer Reserve	12-825d	33,876
Sewer Utility	Sewer Bond and Interest	12-826d	19,476
Sewer Utility	Sewer Renovation Loan	12-825d	178,575
Special Highway	KLINK	12-825d	20,579
Gas Reserve	Gas Utility	12-825d	28,400
Water Reserve	Water Utility	12-825d	33,980
Sewer Reserve	Sewer Renovation	12-825d	86,984
Sewer Renovation Project	Collection System Project	12-825d	105,012
Sales Tax Project	Streetscape Project	12-825d	61,236
Sewer Renovation Project	Sewer Reserve	12-825d	92,846

**CITY OF ALMA, KANSAS**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2011**

**11. COMPENSATED ABSENCES**

The City's policy allows employees to accumulate vacation and sick leave as follows:

**Vacation Time**

One week of vacation is earned after one year of employment, two weeks of vacation are earned after two years of employment, three weeks of vacation are earned after ten years of employment, four weeks of vacation are earned after twenty years of employment, five weeks of vacation are earned after thirty years of employment and six weeks of vacation are earned after forty years of employment. Two weeks of vacation may be carried over into next year.

**Sick Leave**

Sick leave is accrued at a rate of one day per month for all employees, up to a maximum of 1,000 hours. Sick leave accumulated is not paid to employees upon termination of employment.

The dollar amount of accrued vacation at December 31, 2011 was \$7,242.

**12. OTHER POST EMPLOYMENT BENEFITS**

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes healthcare 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 to the City under this program.

**13. RISK MANAGEMENT**

The City of Alma, Kansas 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. To insure against risk of these types of losses, the City has purchased commercial insurance coverage. Settled claims resulting from these risks have not exceeded commercial coverage in the past three fiscal years.

**14. LITIGATION**

There were no legal actions involving the City of Alma, as of December 31, 2011.

**15. 2010 FINANCIAL DATA**

The amounts shown for 2010 in the supplemental schedules are included where practicable, only to provide a basis for comparison with 2011, and are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. Rounding variances may also exist between amounts reported for the 2010 calendar year in these supplemental schedules and the amounts reported in the 2010 audited financial statements.

**CITY OF ALMA, KANSAS**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2011**

16. LONG TERM DEBT  
 Changes in long-term liabilities for the City of Alma, Kansas, for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/Payments	Net Change	Balance End of Year	2011 Interest Paid
USDA Rural Development Loan (2006 General Obligation Bonds)	4.375%	04/20/07	\$ 1,364,700	06/06/46	\$ 1,321,318	\$ -	\$ 15,744	\$ (15,744)	\$ 1,305,574	\$ 57,808
Kansas Water Pollution Control Sewer Project	3.11%	09/01/98	400,000	09/01/19	151,824	-	14,863	(14,863)	136,961	4,607
Kansas Public Water Supply Water Project	4.15%	07/07/98	580,000	02/01/20	263,375	-	23,137	(23,137)	240,238	10,693
Kansas Water Pollution Control Sewer Revolving Loan	2.57%	04/24/08	1,863,000	09/01/28	2,370,596	122,959	2,493,555	(2,370,596)	-	38,713
Kansas Department of Commerce 2002 General Obligation Bonds	3.50%	02/23/04	168,000	02/23/14	64,657	-	17,948	(17,948)	46,708	2,107
USDA Rural Development Loan (2011 General Obligation Bonds)	3.25 - 5.25%	08/01/02	2,025,000	08/01/17	1,110,000	-	140,000	(140,000)	970,000	46,730
Total Contractual Indebtedness	3.375%	04/15/11	2,869,000	04/26/51	5,281,770	2,869,000	2,705,248	286,711	5,568,481	160,658
Compensated Absences					6,825	417	-	417	7,242	-
Total Long Term Debt					\$ 5,288,595	\$ 2,992,376	\$ 2,705,248	\$ 287,128	\$ 5,575,723	\$ 160,658

CITY OF ALMA KANSAS  
Notes to Financial Statement  
For the Year Ended December 31, 2011

16. **LONG TERM DEBT (CONTINUED)**

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

	Year											Total	
	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2046		2047-2051
<b>Principal</b>													
USDA Rural Development Loan (2006 General Obligation Bonds)	\$ 16,433	17,152	17,802	18,698	19,503	111,086	137,607	170,461	211,158	261,569	324,019	-	\$ 1,305,574
Kansas Water Pollution Control Sewer Project	15,329	15,809	16,305	16,816	17,343	55,359	-	-	-	-	-	-	136,861
Kansas Public Water Supply Water Project	24,108	25,118	26,171	27,269	28,412	109,160	-	-	-	-	-	-	240,238
Kansas Water Pollution Control Sewer Revolving Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Kansas Department of Commerce 2002 General Obligation Bonds	18,583	19,239	8,886	-	-	-	-	-	-	-	-	-	46,708
USDA Rural Development Loan (2011 General Obligations Bonds)	145,000	150,000	160,000	165,000	175,000	175,000	-	-	-	-	-	-	970,000
Total Principal	34,660	38,095	37,314	38,573	39,823	220,203	259,967	306,913	362,191	427,804	505,069	600,588	2,869,000
	254,113	263,413	266,578	266,344	279,881	670,808	397,574	477,374	573,347	689,373	829,068	600,588	5,568,481
<b>Interest</b>													
USDA Rural Development Loan (2006 General Obligation Bonds)	\$ 57,119	56,400	55,650	54,866	54,049	256,674	230,153	187,289	158,604	106,189	43,741	-	\$ 1,268,744
Kansas Water Pollution Control Sewer Project	4,141	3,661	3,165	2,654	2,127	3,052	-	-	-	-	-	-	18,800
Kansas Public Water Supply Water Project	8,722	8,711	7,658	6,561	5,417	9,647	-	-	-	-	-	-	47,716
Kansas Water Pollution Control Sewer Revolving Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Kansas Department of Commerce 2002 General Obligation Bonds	1,474	817	156	-	-	-	-	-	-	-	-	-	2,447
USDA Rural Development Loan (2011 General Obligations Bonds)	41,340	35,540	29,380	22,670	15,575	7,875	-	-	-	-	-	-	152,380
Total Interest	98,829	95,659	94,441	93,181	91,880	438,333	398,588	351,660	296,257	230,849	153,618	62,438	2,403,729
	210,625	200,788	190,460	179,932	189,048	715,581	628,739	548,959	452,861	337,038	197,359	62,438	3,863,828
Total Principal and Interest Payments	\$ 464,738	464,201	457,038	446,276	448,929	1,386,389	1,026,313	1,026,333	1,028,208	1,026,411	1,028,447	663,024	9,462,307

**CITY OF ALMA, KANSAS**  
**Notes to Financial Statement**  
**For the Year Ended December 31, 2011**

**17. RESTRICTED FUND BALANCE – SEWER RENOVATION PROJECT**

At the close of the Sewer Renovation Project, funds remaining of \$279,867 were from the USDA Rural Development loan. \$105,012 of these funds were used to pay off a temporary loan plus interest for the Collection System Project, \$129,948 will be used to pay off the outstanding Kansas Water Pollution Control Sewer Project Loan and the remaining \$44,907 will be transferred to Sewer Reserve.

**18. KANSAS WATER POLLUTION CONTROL REVOLVING LOAN**

The December 31, 2010 ending loan balance of \$1,716,534 for the Kansas Water Pollution Control Sewer Revolving loan as reported in the footnotes of the 2010 audited financial statements differs from the beginning loan balance reported in the footnotes of the 2011 financial statement. The beginning loan balance was adjusted based upon information received on February 28, 2011 reflecting additions to the loan balance made in the latter half of 2010. The beginning loan balance was updated in the footnotes to reflect that information and agree to amounts that were correctly recorded in the 2010 audited financial statements.

**19. RELATED PARTIES**

In the ordinary course of business, the city has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

**20. SUBSEQUENT EVENTS**

On December 6, 2011 the City approved issuance of General Obligation Refunding Bonds, Series 2011 B, to pay off the outstanding 2002 General Obligation Bonds. The transactions were finalized in February 2012. In March 2012, long-term financing for the Collection System Project was approved by USDA Rural Development in the amount of \$355,000 for a grant and \$1,443,000 for a loan. The City evaluated subsequent events through June 11, 2012, the date in which the financial statement was available to be issued.

**SUPPLEMENTAL INFORMATION**

**CITY OF ALMA, KANSAS**  
**SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance-Over (Under)</u>
General Fund	\$ 449,426	-	449,426	449,041	(385)
Special Revenue Funds:					
Special Fire	-	-	-	2	2
Special Highway	21,560	-	21,560	20,579	(981)
Recreation	11,748	-	11,748	11,207	(541)
Special Parks and Recreation	4,905	-	4,905	3,000	(1,905)
Employee Benefits	151,500	-	151,500	169,556	18,056
Sales Tax Project	198,440	-	198,440	61,236	(137,204)
Debt Service Funds					
Water Bond and Interest	33,830	-	33,830	33,830	-
Sewer Bond and Interest	19,470	-	19,470	19,470	-
2002 Bond Fund	254,711	-	254,711	240,903	(13,808)
Kansas Partnership Fund Debt Service	20,056	-	20,056	20,056	-
Water Plant (2006 Bond)	73,552	-	73,552	73,552	-
Sewer Renovation Loan	186,000	-	186,000	59,658	(126,142)
Proprietary Type Funds:					
Enterprise Funds					
Electric Utility	1,558,065	-	1,558,065	1,522,515	(35,550)
Gas Utility	1,247,000	-	1,247,000	685,407	(561,593)
Water Utility	374,240	-	374,240	308,855	(65,385)
Sewer Utility	465,000	-	465,000	319,630	(145,370)

## CITY OF ALMA, KANSAS

**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	2010	2011		Variance - Over (Under)
	Actual	Actual	Budget	
<b>GENERAL FUND</b>				
Cash Receipts:				
Taxes				
Ad Valorem Property Tax	\$ 153,417	152,615	162,312	(9,697)
Delinquent Tax	7,207	3,898	-	3,898
Motor Vehicle Tax	19,962	18,468	22,622	(4,154)
Recreational Vehicle Tax	311	307	333	(26)
16/20M Vehicle Tax	300	296	548	(252)
Countrywide Sales Tax	31,608	34,526	38,600	(4,074)
Intergovernmental Revenue				
Local Alcohol and Liquor Tax	1,829	1,984	1,610	374
Highway Connecting Links	5,094	5,094	5,000	94
Licenses and Fees				
Licenses and Permits	2,099	1,922	4,000	(2,078)
Utility Franchise Fees	800	786	500	286
Swimming Pool Receipts	11,985	12,542	12,000	542
Sales Tax Collected	-	1	-	1
Refuse Collection	54,014	58,326	55,600	2,726
Fines and Fees	1,052	1,609	1,000	609
Park Valley Lot Receipts				
Bond Tax Receipts	-	19,192	-	19,192
Transfer from Electric Utility	-	34,755	30,000	4,755
Use of Money and Property				
Interest	11,283	9,650	15,000	(5,350)
Miscellaneous				
Reimbursed Expenses	1,985	7,875	10,000	(2,125)
General Fish and Game Reimbursement	2,060	2,060	2,800	(740)
General Recreation Reimbursement	3,001	3,000	3,000	-
Community Center	1,370	1,435	2,000	(565)
Neighborhood Revitalization	5,197	3,261	-	3,261
Transfer from Electric Utility Fund	80,000	80,000	80,000	-
<b>Total Cash Receipts</b>	<b>394,574</b>	<b>453,602</b>	<b>446,925</b>	<b>6,677</b>
Expenditures:				
General and Administrative				
Personal Services	44,991	32,537	35,499	(2,962)
Commodities	7,424	8,579	10,750	(2,171)
Contractual	21,933	20,719	20,750	(31)
Capital Outlay	1,750	4,070	8,000	(3,930)
Refuse Collection	54,085	55,289	54,000	1,289
Highway Department				
Personal Services	12,315	6,437	13,000	(6,563)
Commodities	51,614	80,802	64,000	16,802
Contractual	286	1,374	5,000	(3,626)
Employee Benefits	10,251	5,555	9,000	(3,445)
Transfer to Equipment Reserve	10,000	7,000	10,000	(3,000)
<b>Total</b>	<b>\$ 214,649</b>	<b>222,362</b>	<b>229,999</b>	<b>(7,637)</b>

## CITY OF ALMA, KANSAS

**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	2010	2011		Variance - Over (Under)
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
<b>GENERAL FUND</b>				
Expenditures - (from page #16)	\$ 214,649	222,362	229,999	(7,637)
Street Lighting				
Contractual	13,001	13,316	10,000	3,316
Swimming Pool				
Personal Services	38,630	41,039	31,000	10,039
Commodities	12,688	10,923	16,000	(5,077)
Contractual	5,039	1,035	4,500	(3,465)
Parks and Cemetery				
Personal Services	1,200	1,200	1,200	-
Marshall				
Personal Services	51,212	53,222	50,000	3,222
Commodities	8,389	8,793	7,000	1,793
Contractual	5,079	3,002	4,000	(998)
Employee Benefits	19,039	18,516	17,500	1,016
Transfer to Equipment Reserve	-	7,000	7,000	-
July 4th Celebration Fund	1,000	1,000	1,000	-
Neighborhood Revitalization	5,197	1,870	3,726	(1,856)
Park Valley Lots Expense	-	53,947	52,501	1,446
Community Building	7,064	9,176	10,000	(824)
Transfer to Capital Improvements Fund	3,000	-	-	-
Transfer to Equipment Reserve	8,000	-	-	-
Economic Development	1,000	1,000	1,000	-
Fish and Game	2,800	1,640	2,800	(1,160)
Miscellaneous	-	-	200	(200)
<b>Total Expenditures</b>	<u>396,987</u>	<u>449,041</u>	<u>449,426</u>	<u>(385)</u>
Receipts Over (Under) Expenditures	(2,413)	4,561		
Unencumbered Cash, January 1	<u>3,892</u>	<u>1,479</u>		
Unencumbered Cash, December 31	<u>\$ 1,479</u>	<u>6,040</u>		

## CITY OF ALMA, KANSAS

**SPECIAL REVENUE FUNDS**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	<u>2010</u>	<u>2011</u>	Variance - Over (Under)
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
<b><u>SPECIAL FIRE</u></b>			
Cash Receipts:			
Ad Valorem Tax	\$ -	2	-
Delinquent Tax	9	-	-
Total Cash Receipts	<u>9</u>	<u>2</u>	<u>2</u>
Expenditures:			
Capital Outlay	9	2	-
Receipts Over (Under) Expenditures	-	-	
Unencumbered Cash, January 1	-	-	
Unencumbered Cash, December 31	<u>\$ -</u>	<u>-</u>	
<b><u>SPECIAL HIGHWAY</u></b>			
Cash Receipts:			
State Gasoline Tax	\$ 20,141	20,579	20,620
Expenditures:			
Commodities	-	-	-
Transfer to KLINK	20,141	20,579	21,560
Total Expenditures	<u>20,141</u>	<u>20,579</u>	<u>21,560</u>
Receipts Over (Under) Expenditures	-	-	
Unencumbered Cash, January 1	-	-	
Unencumbered Cash, December 31	<u>\$ -</u>	<u>-</u>	

## CITY OF ALMA, KANSAS

**SPECIAL REVENUE FUNDS**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	2010	2011		Variance - Over (Under)
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<b><u>RECREATION</u></b>				
Cash Receipts:				
Ad Valorem Tax	\$ 9,534	9,573	10,179	(606)
Delinquent Taxes	461	246	-	246
Motor Vehicle Taxes	1,272	1,147	1,406	(259)
Recreational Vehicle Tax	20	19	21	(2)
16/20 M Vehicle Tax	20	18	34	(16)
Neighborhood Revitalization	323	204	-	204
Total Cash Receipts	<u>11,630</u>	<u>11,207</u>	<u>11,640</u>	<u>(433)</u>
Expenditures:				
Neighborhood Revitalization	323	120	232	(112)
Appropriation to Rec Commission	11,415	11,087	11,516	(429)
Total Expenditures	<u>11,738</u>	<u>11,207</u>	<u>11,748</u>	<u>(541)</u>
Receipts Over (Under) Expenditures	(108)	-		
Unencumbered Cash, January 1	108	-		
Unencumbered Cash, December 31	<u>\$ -</u>	<u>-</u>		
<b><u>SPECIAL PARKS AND RECREATION</u></b>				
Cash Receipts:				
Liquor Tax	\$ 1,228	1,984	1,610	374
Reimbursement	601	222	-	222
Total Cash Receipts	<u>1,829</u>	<u>2,206</u>	<u>1,610</u>	<u>596</u>
Expenditures:				
Capital Outlay	<u>2,000</u>	<u>3,000</u>	<u>4,905</u>	<u>(1,905)</u>
Receipts Over (Under) Expenditures	(171)	(794)		
Unencumbered Cash, January 1	2,512	2,341		
Unencumbered Cash, December 31	<u>\$ 2,341</u>	<u>1,547</u>		

## CITY OF ALMA, KANSAS

**SPECIAL REVENUE FUNDS**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	2010	2011		Variance - Over (Under)
	Actual	Actual	Budget	
<b><u>EMPLOYEE BENEFITS</u></b>				
Cash Receipts:				
Ad Valorem Tax	\$ -	2	-	2
Delinquent Tax	21	-	-	-
Reimbursements	146,451	169,535	151,500	18,035
Total Cash Receipts	<u>146,472</u>	<u>169,537</u>	<u>151,500</u>	<u>18,037</u>
Expenditures:				
Social Security Remittances	29,255	31,076	38,000	(6,924)
KPERS Remittances	20,154	25,229	21,000	4,229
Unemployment Remittances	374	336	1,500	(1,164)
Insurance and Deferred Compensation	96,633	112,915	91,000	21,915
Total Expenditures	<u>146,416</u>	<u>169,556</u>	<u>151,500</u>	<u>18,056</u>
Receipts Over (Under) Expenditures	56	(19)		
Unencumbered Cash, January 1	133	189		
Unencumbered Cash, December 31	<u>\$ 189</u>	<u>170</u>		
<b><u>SALES TAX PROJECT</u></b>				
Cash Receipts:				
Sales Tax Collections	\$ 85,367	84,030	80,000	4,030
Expenditures:				
Commodities	24,300	-	198,440	(198,440)
Transfer to Streetscape Project	44,912	61,236	-	61,236
Total Expenditures	<u>69,212</u>	<u>61,236</u>	<u>198,440</u>	<u>(137,204)</u>
Receipts Over (Under) Expenditures	16,155	22,794		
Unencumbered Cash, January 1	38,440	54,595		
Unencumbered Cash, December 31	<u>\$ 54,595</u>	<u>77,389</u>		

## CITY OF ALMA, KANSAS

**SPECIAL REVENUE FUNDS**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	2010	2011
	<u>Actual</u>	<u>Actual</u>
<b><u>CAPITAL IMPROVEMENTS*</u></b>		
Cash Receipts:		
Transfer from General	\$ 3,000	-
Reimbursements	-	4,408
Total Cash Receipts	<u>3,000</u>	<u>4,408</u>
Expenditures:		
Repairs and Other	<u>8,492</u>	<u>21,335</u>
Receipts Over (Under) Expenditures	(5,492)	(16,927)
Unencumbered Cash, January 1	<u>32,117</u>	<u>26,625</u>
Unencumbered Cash, December 31	<u>\$ 26,625</u>	<u>9,698</u>
<b><u>EQUIPMENT RESERVE*</u></b>		
Cash Receipts:		
Transfer from General		
General - Street	\$ 10,000	7,000
General - Marshall	-	7,000
General - General	5,000	-
General - Community Center	3,000	-
Miscellaneous Receipts	1,950	-
Total Cash Receipts	<u>19,950</u>	<u>14,000</u>
Expenditures:		
Equipment Purchases	-	11,693
Miscellaneous Expense	-	653
Total Expenditures	<u>-</u>	<u>12,346</u>
Receipts Over (Under) Expenditures	19,950	1,654
Unencumbered Cash, January 1	<u>138,770</u>	<u>156,720</u>
Unencumbered Cash, December 31	<u>\$ 156,720</u>	<u>158,374</u>

\*Not Budgeted

## CITY OF ALMA, KANSAS

**SPECIAL REVENUE FUNDS**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	2010	2011
<b><u>KLINK*</u></b>		
Cash Receipts:		
Transfer from Special Highway	<u>\$ 20,141</u>	<u>20,579</u>
Total Cash Receipts	<u>20,141</u>	<u>20,579</u>
Expenditures:	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	20,141	20,579
Unencumbered Cash, January 1	<u>30,000</u>	<u>50,141</u>
Unencumbered Cash, December 31	<u>\$ 50,141</u>	<u>70,720</u>
 <b><u>PERPETUAL CARE*</u></b>		
Cash Receipts:		
Sale of Lots and Interest	<u>\$ 198</u>	<u>377</u>
Expenditures:	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	198	377
Unencumbered Cash, January 1	<u>23,548</u>	<u>23,746</u>
Unencumbered Cash, December 31	<u>\$ 23,746</u>	<u>24,123</u>

\*Not Budgeted

## CITY OF ALMA, KANSAS

**SPECIAL REVENUE FUNDS**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	2010 <u>Actual</u>	2011 <u>Actual</u>
<b><u>WATER RESERVE*</u></b>		
Cash Receipts:		
Transfer from Water Utility	\$ 32,580	32,460
Reimbursements	-	-
<b>Total Cash Receipts</b>	<u>32,580</u>	<u>32,460</u>
Expenditures:		
Transfer to Water Utility	<u>9,000</u>	<u>33,980</u>
Receipts Over (Under) Expenditures	23,580	(1,520)
Unencumbered Cash, January 1	<u>151,550</u>	<u>175,130</u>
Unencumbered Cash, December 31	<u>\$ 175,130</u>	<u>173,610</u>
<b><u>SEWER RESERVE*</u></b>		
Cash Receipts:		
Transfer from Sewer Renovation Project	-	92,846
Transfer from Sewer Utility	<u>32,676</u>	<u>33,876</u>
<b>Total Cash Receipts</b>	<u>32,676</u>	<u>126,722</u>
Expenditures:		
Transfer to Sewer Renovation Loan	14,881	-
Transfer to Sewer Renovation Project	<u>5,862</u>	<u>86,984</u>
<b>Total Expenditures</b>	<u>20,743</u>	<u>86,984</u>
Receipts Over (Under) Expenditures	11,933	39,738
Unencumbered Cash, January 1	<u>121,895</u>	<u>133,828</u>
Unencumbered Cash, December 31	<u>\$ 133,828</u>	<u>173,566</u>

\* Not Budgeted

## CITY OF ALMA, KANSAS

**SPECIAL REVENUE FUNDS**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	2010 <u>Actual</u>	2011 <u>Actual</u>
<b><u>GAS RESERVE*</u></b>		
Cash Receipts:		
Transfer from Gas Utility	<u>\$ 36,000</u>	<u>36,000</u>
Expenditures:		
Transfer to Gas Utility	<u>74,000</u>	<u>28,400</u>
Receipts Over (Under) Expenditures	(38,000)	7,600
Unencumbered Cash, January 1	<u>98,000</u>	<u>60,000</u>
Unencumbered Cash, December 31	<u><u>\$ 60,000</u></u>	<u><u>67,600</u></u>
<b><u>ELECTRIC RESERVE*</u></b>		
Cash Receipts:		
Transfer from Electric Utility	<u>\$ 36,000</u>	<u>36,000</u>
Expenditures:		
Transfer to Electric Utility	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	36,000	36,000
Unencumbered Cash, January 1	<u>103,000</u>	<u>139,000</u>
Unencumbered Cash, December 31	<u><u>\$ 139,000</u></u>	<u><u>175,000</u></u>

\* Not Budgeted

## CITY OF ALMA, KANSAS

**DEBT SERVICE FUNDS**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	<u>2010</u>	<u>2011</u>	Variance - Over (Under)
<b><u>WATER BOND AND INTEREST</u></b>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
Cash Receipts:			
Transfer from Water Utility	\$ 33,840	33,840	33,840
Expenditures:			
Principal Payments	11,217	23,137	33,830
Interest Payments	5,698	10,693	-
Total Expenditures	<u>16,915</u>	<u>33,830</u>	<u>33,830</u>
Receipts Over (Under) Expenditures	16,925	10	
Unencumbered Cash, January 1	<u>11,158</u>	<u>28,083</u>	
Unencumbered Cash, December 31	<u>\$ 28,083</u>	<u>28,093</u>	
<b><u>SEWER BOND AND INTEREST</u></b>			
Cash Receipts:			
Transfer from Sewer Utility	\$ 19,476	19,476	19,500
Expenditures:			
Principal Payments	14,411	14,863	19,470
Interest Payments	5,059	4,607	-
Total Expenditures	<u>19,470</u>	<u>19,470</u>	<u>19,470</u>
Receipts Over (Under) Expenditures	6	6	
Unencumbered Cash, January 1	<u>13,430</u>	<u>13,436</u>	
Unencumbered Cash, December 31	<u>\$ 13,436</u>	<u>13,442</u>	

## CITY OF ALMA, KANSAS

**DEBT SERVICE FUNDS**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	2010	2011		Variance - Over (Under)
	Actual	Actual	Budget	(Under)
<b><u>2002 BOND FUND</u></b>				
<b>Cash Receipts:</b>				
Ad Valorem Tax	\$ 32,088	32,234	34,283	(2,049)
Delinquent Tax	1,543	827	-	827
Motor Vehicle Tax	4,214	3,855	4,732	(877)
Recreational Vehicle Tax	66	64	70	(6)
16/20 M Vehicle Tax	65	61	115	(54)
Paid Assessments	68,963	68,242	82,500	(14,258)
Interest Income	394	118	500	(382)
Transfer from Electric Utility	40,000	40,000	40,000	-
Neighborhood Revitalization	1,087	688	-	688
Miscellaneous Reimbursement	983	33,539	-	33,539
<b>Total Cash Receipts</b>	<b>149,403</b>	<b>179,628</b>	<b>162,200</b>	<b>17,428</b>
<b>Expenditures:</b>				
Reserve	725	34,887	63,000	(28,113)
Neighborhood Revitalization	1,087	429	781	(352)
Tax Assessment Paid	3,440	18,857	4,200	14,657
Principal Payments	135,000	140,000	140,000	-
Interest Payments	51,725	46,730	46,730	-
<b>Total Expenditures</b>	<b>191,977</b>	<b>240,903</b>	<b>254,711</b>	<b>(13,808)</b>
Receipts Over (Under) Expenditures	(42,574)	(61,275)		
Unencumbered Cash, January 1	127,153	84,579		
Unencumbered Cash, December 31	\$ 84,579	23,304		
<b><u>KANSAS PARTNERSHIP FUND</u></b>				
<b>Cash Receipts:</b>				
Transfer from Electric Utility	\$ 20,064	20,064	20,065	(1)
<b>Expenditures:</b>				
Principal Payments	17,336	17,949	20,056	(2,107)
Interest Payments	2,720	2,107	-	2,107
<b>Total Expenditures</b>	<b>20,056</b>	<b>20,056</b>	<b>20,056</b>	<b>-</b>
Receipts Over (Under) Expenditures	8	8		
Unencumbered Cash, January 1	5,064	5,072		
Unencumbered Cash, December 31	\$ 5,072	5,080		

## CITY OF ALMA, KANSAS

**DEBT SERVICE FUNDS**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	2010		2011	
	Actual	Actual	Budget	Variance - Over (Under)
<b><u>WATER PLANT (2006 BOND)</u></b>				
Cash Receipts:				
Transfer from Water Utility	\$ 77,434	79,371	73,560	5,811
Expenditures:				
Principal Payments	15,084	15,744	73,552	(57,808)
Interest Payments	58,468	57,808	-	57,808
Total Expenditures	73,552	73,552	73,552	-
Receipts Over (Under) Expenditures	3,882	5,819		
Unencumbered Cash, January 1	43,220	47,102		
Unencumbered Cash, December 31	\$ 47,102	52,921		
<b><u>SEWER RENOVATION LOAN</u></b>				
Cash Receipts:				
Transfer from Sewer Utility	\$ 163,694	178,575	186,000	(7,425)
Transfer from Sewer Reserve	14,881	-	-	-
Total Cash Receipts	178,575	178,575	186,000	(7,425)
Expenditures:				
Principal Payments	74,168	30,991	186,000	(155,009)
Interest Payments	45,548	28,867	-	28,867
Total Expenditures	119,716	59,858	186,000	(126,142)
Receipts Over (Under) Expenditures	58,859	118,717		
Unencumbered Cash, January 1	145,199	204,058		
Unencumbered Cash, December 31	\$ 204,058	322,775		

## CITY OF ALMA, KANSAS

## CAPITAL PROJECT FUNDS

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2011

(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)

	2010 <u>Actual</u>	2011 <u>Actual</u>
<b><u>SEWER RENOVATION PROJECT*</u></b>		
Cash Receipts:		
KDHE Loan	\$ 1,822,076	122,959
CDBG Grant	359,546	1,551
USDA Loan	-	2,869,000
Transfer from Sewer Reserve	5,862	86,984
Total Cash Receipts	<u>2,187,484</u>	<u>3,080,494</u>
Expenditures:		
Construction	2,206,613	10,000
KDHE - Temporary Loan Pay-off	-	2,472,410
Transfer to Sewer Reserve	-	92,848
Non-budgeted Construction	5,862	-
Sewer Project Expenditures	181,012	21,040
Transfer to Collection System Project	-	105,012
Total Expenditures	<u>2,393,487</u>	<u>2,701,308</u>
Receipts Over (Under) Expenditures	(206,003)	379,186
Unencumbered Cash, January 1	1,672	(204,331)
Unencumbered Cash, December 31	<u>\$ (204,331)</u>	<u>174,855</u>
<b><u>COLLECTION SYSTEM PROJECT*</u></b>		
Cash Receipts:		
Loan	\$ 100,000	-
Transfer from Sewer Renovation	-	105,012
Interest	352	136
Total Cash Receipts	<u>100,352</u>	<u>105,148</u>
Expenditures:		
Phase I Expenditures	60,170	-
Phase II Expenditures	1,168	-
Phase I Loan Payment	-	105,013
Phase I Interest Payment	-	111
Cost of Issuance	2,436	-
Total Expenditures	<u>63,774</u>	<u>105,124</u>
Receipts Over (Under) Expenditures	36,578	24
Unencumbered Cash, January 1	-	36,578
Unencumbered Cash, December 31	<u>\$ 36,578</u>	<u>36,602</u>
<b><u>STREETSCAPE PROJECT*</u></b>		
Cash Receipts:		
Transfer from Sales Tax Project	\$ 44,912	61,236
Expenditures:		
Expenses	44,912	61,236
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, January 1	-	-
Unencumbered Cash, December 31	<u>\$ -</u>	<u>-</u>

\*Not Budgeted

## CITY OF ALMA, KANSAS

**ENTERPRISE FUNDS**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	2010	2011		Variance - Over (Under)
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<b><u>ELECTRIC UTILITY</u></b>				
Cash Receipts:				
Sales and Charges	\$ 1,367,712	1,432,640	1,500,000	(67,360)
Sales Tax	33,968	38,304	37,000	1,304
Penalties and Other	13,832	11,954	15,000	(3,046)
<b>Total Cash Receipts</b>	<u>1,415,312</u>	<u>1,482,898</u>	<u>1,552,000</u>	<u>(69,102)</u>
Expenditures:				
Personal Services	123,220	152,197	145,000	7,197
Commodities	28,127	30,976	58,000	(27,024)
Contractual Services	18,617	23,243	27,000	(3,757)
Energy Purchased	877,317	995,131	1,000,000	(4,869)
Sales Tax	35,698	38,426	37,000	1,426
Transfer to General	80,000	80,000	80,000	-
Transfer to Electric Reserve	36,000	36,000	36,000	-
Employee Benefits	43,954	71,486	65,000	6,486
Capital Outlay	-	116	20,000	(19,884)
Refunds to Customers	-	121	-	121
Transfer to 2002 Bond Fund	40,000	40,000	40,000	-
Transfer to General - Park Valley	-	34,755	30,000	4,755
Transfer to Kansas Partnership Loan	20,064	20,064	20,065	(1)
<b>Total Expenditures</b>	<u>1,302,997</u>	<u>1,522,515</u>	<u>1,558,065</u>	<u>(35,550)</u>
Receipts Over (Under) Expenditures	112,315	(39,617)		
Unencumbered Cash, January 1	<u>40,679</u>	<u>152,994</u>		
Unencumbered Cash, December 31	<u>\$ 152,994</u>	<u>113,377</u>		
<b><u>GAS UTILITY</u></b>				
Cash Receipts:				
Sales and Charges	\$ 812,936	638,493	1,224,000	(585,507)
Sales Tax	13,837	12,014	13,000	(966)
Penalties and Other	4,695	3,211	10,000	(6,789)
Transfer from Gas Reserve	74,000	28,400	-	28,400
<b>Total Cash Receipts</b>	<u>905,468</u>	<u>682,118</u>	<u>1,247,000</u>	<u>(564,882)</u>
Expenditures:				
Personal Services	61,582	63,943	64,000	(57)
Commodities	110,103	24,270	44,000	(19,730)
Contractual Services	19,102	23,221	23,000	221
Energy Purchases	647,411	485,433	988,000	(502,567)
Sales Tax	14,626	12,500	15,000	(2,500)
Capital Outlay	-	-	40,000	(40,000)
Transfer to Gas Reserve	36,000	36,000	36,000	-
Employee Benefits	43,898	40,040	37,000	3,040
<b>Total Expenditures</b>	<u>932,722</u>	<u>685,407</u>	<u>1,247,000</u>	<u>(561,593)</u>
Receipts Over (Under) Expenditures	(27,254)	(3,289)		
Unencumbered Cash, January 1	<u>32,645</u>	<u>5,391</u>		
Unencumbered Cash, December 31	<u>\$ 5,391</u>	<u>2,102</u>		

## CITY OF ALMA, KANSAS

**ENTERPRISE FUNDS**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)**

	2010	2011	Variance - Over (Under)	
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
<b><u>WATER UTILITY</u></b>				
Cash Receipts:				
Sales and Charges	\$ 270,294	267,530	360,000	(92,470)
Sales Tax and Water Protection Fee	8,939	8,792	9,500	(708)
Transfer from Water Reserve	9,000	33,980	-	33,980
Miscellaneous and Reimbursements	3,596	2,753	5,000	(2,247)
<b>Total Cash Receipts</b>	<b>291,829</b>	<b>313,055</b>	<b>374,500</b>	<b>(61,445)</b>
Expenditures:				
Personal Services	36,949	41,733	45,000	(3,267)
Commodities	66,262	60,748	80,000	(19,252)
Contractual Services	21,277	21,012	25,000	(3,988)
Water Plan Fee	3,920	2,185	4,000	(1,815)
Water Sampling	-	480	-	480
Water Chemicals	-	12,056	-	12,056
Sales Tax	7,608	7,995	8,000	(5)
Refunds to Customers	74	-	-	-
Capital Outlay	-	-	56,000	(56,000)
Transfer to Water Reserve	32,580	32,460	33,840	(1,380)
Transfer to Water Bond and Interest	33,840	33,840	33,840	-
Transfer to Water Plant (2006 Bond)	77,434	79,371	73,560	5,811
Employee Benefits	14,664	16,975	15,000	1,975
<b>Total Expenditures</b>	<b>294,608</b>	<b>308,855</b>	<b>374,240</b>	<b>(65,385)</b>
Receipts Over (Under) Expenditures	(2,779)	4,200		
Unencumbered Cash, January 1	6,039	3,260		
Unencumbered Cash, December 31	\$ 3,260	7,460		
<b><u>SEWER UTILITY</u></b>				
Cash Receipts:				
User Fees	\$ 308,438	302,230	420,000	(117,770)
Miscellaneous Reimbursements	1,686	12,709	4,000	8,709
<b>Total Cash Receipts</b>	<b>310,124</b>	<b>314,939</b>	<b>424,000</b>	<b>(109,061)</b>
Expenditures:				
Personal Services	12,317	13,911	37,000	(23,089)
Commodities	38,316	33,881	25,000	8,881
Contractual Services	16,743	17,760	25,000	(7,240)
Refunds to Customers	360	-	-	-
Capital Outlay	-	-	94,500	(94,500)
Transfer to Sewer Bond and Interest	19,476	19,476	19,500	(24)
Transfer to Sewer Reserve	32,676	33,876	24,000	9,876
Employee Benefits Reimbursement	14,645	16,963	20,000	(3,037)
Sewer Operations and Maintenance Cost	131	5,188	10,000	(4,812)
Transfer to Sewer Renovation Loan	163,694	178,575	210,000	(31,425)
<b>Total Expenditures</b>	<b>298,378</b>	<b>319,630</b>	<b>465,000</b>	<b>(145,370)</b>
Receipts Over (Under) Expenditures	11,746	(4,691)		
Unencumbered Cash, January 1	21,379	33,125		
Unencumbered Cash, December 31	\$ 33,125	28,434		

## CITY OF ALMA, KANSAS

AGENCY FUNDS  
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2011

(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2010)

<u>RETURN CHECKS*</u>	2010 Actual	2011 Actual
Cash Receipts:	<u>\$ 2,644</u>	<u>3,629</u>
Expenditures:		
Miscellaneous Expenditures	<u>2,961</u>	<u>3,312</u>
Receipts Over (Under) Expenditures	(317)	317
Unencumbered Cash, January 1	<u>-</u>	<u>(317)</u>
Unencumbered Cash, December 31	<u><u>\$ (317)</u></u>	<u><u>-</u></u>
 <u>CREDIT CARD DEPOSITS*</u>		
Cash Receipts:	<u>\$ 2,250</u>	<u>2,450</u>
Expenditures:		
Transfer to Electric Utility	<u>2,250</u>	<u>2,450</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, January 1	<u>-</u>	<u>-</u>
Unencumbered Cash, December 31	<u><u>\$ -</u></u>	<u><u>-</u></u>

\* Not Budgeted

**SINGLE AUDIT SECTION**

**CITY OF ALMA, KANSAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities	10.76	\$ 2,608,462
Total U.S. Department of Agriculture		<u>2,608,462</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$ 2,608,462</u></b>

The accompanying notes are an integral part of this schedule.

**CITY OF ALMA, KANSAS**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of The City of Alma, Kansas (City) under a program of the federal government for the year ended December 31, 2011. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in the financial position of the City.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported using the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same basis as the financial statements accompanying this schedule.



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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor and City Council  
City of Alma  
Alma, Kansas 66401

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of the City of Alma, Kansas (City) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Kansas Municipal Audit Guide.

### Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of X, State Y's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Alma in a separate letter dated June 11, 2012.

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

*Pottberg, Gassman & Hoffman, Chartered.*

Pottberg, Gassman & Hoffman, Chartered  
Manhattan, Kansas  
June 11, 2012



Certified Public Accountants

Pottberg, Gassman & Hoffman, Chtd.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
ITS MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Mayor and City Council  
City of Alma  
Alma, Kansas 66401

Compliance

We have audited the City of Alma's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2011. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Kansas Municipal Audit Guide; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

Internal Control over Compliance

Management of the City of Alma is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on its major federal program to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do

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not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in Internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management, City Council, others within the entity, and its federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.

*Pottberg, Gassman & Hoffman, Chartered.*

Pottberg, Gassman & Hoffman, Chartered  
Manhattan, Kansas  
June 11, 2012

**CITY OF ALMA, KANSAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statement of City of Alma, Kansas.
2. No significant deficiencies were disclosed during the audit of the financial statement and no material weaknesses are reported in the **Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.**
3. No instances of noncompliance material to the financial statement of City of Alma, Kansas were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit and no material weaknesses were reported in the **Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Its Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.**
5. The auditors' report on compliance for the major federal award program for the City of Alma, Kansas expresses an unqualified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this schedule.
7. The program tested as a major program was USDA Water and Waste Disposal Systems for Rural Communities CFDA 10.76.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City of Alma, Kansas did not qualify as a low-risk auditee.

**SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS**

None reported.

**SECTION III – MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS**

None reported.