

CITY OF CLAY CENTER, KANSAS

FINANCIAL STATEMENTS

Year ended December 31, 2011

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CITY OF CLAY CENTER, KANSAS

Financial Statements
Year ended December 31, 2011

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i - ii
FINANCIAL SECTION	
Independent Auditor's Report on the Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	1 - 2
STATEMENT 1 Summary of Cash Receipts, Expenditures and Unencumbered Cash	3
STATEMENT 2 Summary of Expenditures - Actual and Budget	4
STATEMENT 3 Statement of Cash Receipts and Expenditures - Actual and Budget or Actual	
General Fund	5
Airport Fund	6
Connecting Link Improvement Fund	7
Employee Benefit Fund	8
Industrial Fund	9
Library Fund	10
Public Recreation Fund	11
Special Highway Fund	12
Special Improvement Fund	13
Sales Tax Fund	14
Special Parks and Recreation Fund	15
2010 Special Improvement Fund	16
Airport Improvement	17
Street, Building, Machinery & Equipment Fund	18
Cemetery Perpetual Care Fund	19
Debt Service Fund	20
Pool Project Fund	21
Waste Water Fund	22
Water Utility Fund	23
Electric Utility Fund	24
Refuse Disposal Maintenance Fund	25
Animal Shelter Fund	26
Community Development Block Grant Fund	27
Campbell Field Lights Fund	28
Undercover Fund	29
Underage Drinking Reward Fund	30
STATEMENT 4 Statement of Cash, Cash Receipts and Disbursements - Agency Funds	31
Notes to the Financial Statements	32 - 38

CITY OF CLAY CENTER, KANSAS

Financial Statements
Year ended December 31, 2011

TABLE OF CONTENTS - Continued

	<u>Page Number</u>
GOVERNMENTAL AUDIT SECTION	
Schedule of Expenditures of Federal Awards	39
Notes to the Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41 - 43
Independent Auditor's 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"	44 - 45
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	46 - 47



MIZE & HOUSER
COMPANY P.A.

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Mayor and City Council
City of Clay Center, Kansas

We have audited the accompanying financial statements of the City of Clay Center, Kansas (the City), as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2010. In our report dated June 30, 2011, on these financial statements, we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unqualified opinion as to presentation on the Kansas prescribed basis of accounting.

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

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The primary government financial statements referred to above do not include the financial data of component units of the City of Clay Center, Kansas as of December 31, 2011.

As described in Note 1, the City of Clay Center, Kansas prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the omission of the financial data of all of the component units of the City of Clay Center, Kansas, and, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Clay Center, Kansas, as of December 31, 2011, or the respective changes in financial position for the year then ended.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2012, on our consideration of the City of Clay Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the City taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose 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 not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements or to the financial statements themselves, 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 statements as a whole.

Mike Houser: Company PA

July 27, 2012

CITY OF CLAY CENTER, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Period Adjustment	Beginning Unencumbered Cash Balance (Restated)	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add:	Ending Cash Balance
							Outstanding Encumbrances and Accounts Payable	
General Fund	\$ 375,635	\$ -	\$ 375,635	\$ 2,810,515	\$ 2,602,581	\$ 583,569	\$ 139,182	\$ 722,751
Special Revenue Funds:								
Airport	12,945	-	12,945	20,410	22,815	10,540	386	10,926
Connecting Link Improvement	40,953	-	40,953	29,268	63,823	6,398	39,569	45,967
Employee Benefit	105,465	-	105,465	565,774	611,492	59,747	-	59,747
Industrial	11,857	-	11,857	24,960	12,500	24,317	-	24,317
Library	384	-	384	168,677	169,000	61	-	61
Public Recreation	2,526	-	2,526	24,913	25,449	1,990	5,609	7,599
Special Highway	11,243	-	11,243	121,576	113,276	19,543	-	19,543
Special Improvement	39,791	-	39,791	-	-	39,791	-	39,791
Sales Tax	-	-	-	204,919	36,855	168,064	10,651	178,715
Special Park and Recreation	19,206	-	19,206	4,899	12,883	11,222	-	11,222
2010 Special Improvement	677,626	-	677,626	-	656,878	20,748	-	20,748
Airport Improvement	-	-	-	73,643	72,026	1,617	-	1,617
Street, Building, Machinery & Equipment	450,693	-	450,693	30,000	145,981	334,712	-	334,712
Permanent Fund:								
Cemetery Perpetual Care	157,870	-	157,870	1,365	-	159,235	-	159,235
Debt Service Fund	3,134	10,000	13,134	99,551	93,175	19,510	-	19,510
Capital Project Funds:								
Pool Project	26,119	-	26,119	5,008	-	31,127	-	31,127
Enterprise Funds:								
Waste Water	79,429	-	79,429	461,512	392,370	148,571	8,268	156,839
Water Utility	1,077,059	-	1,077,059	2,252,926	2,588,115	741,870	16,452	758,322
Electric Utility	2,549,387	-	2,549,387	7,382,600	7,298,031	2,633,956	551,185	3,185,141
Fiduciary Type Funds:								
Private Purpose Trust Funds:								
Refuse Disposal Maintenance	25,097	-	25,097	229,530	197,683	56,944	5,180	62,124
Animal Shelter	1,341	-	1,341	20	-	1,361	-	1,361
Community Development Block Grant	-	-	-	-	-	-	-	-
Campbell Field Lights	1,182	-	1,182	1,200	-	2,382	-	2,382
Undercover	1,298	-	1,298	-	-	1,298	-	1,298
Underage Drinking Reward	1,743	-	1,743	-	-	1,743	-	1,743
Total Primary Government	\$ 5,671,983	\$ 10,000	\$ 5,681,983	\$ 14,513,266	\$ 15,114,933	\$ 5,080,316	\$ 776,482	\$ 5,856,798

Composition of Cash:

Union State Bank	
Checking	\$ 217,092
Money Market	1,855,823
United Bank & Trust	
Checking	2,096,433
Money Market	1,611,137
Petty Cash	3,000
State of Kansas - Fiscal Agent	<u>256,411</u>
Total Cash	<u>6,039,896</u>
Agency Funds per Statement 4	<u>[183,098]</u>
Total	\$ 5,856,798

STATEMENT 2

CITY OF CLAY CENTER, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Positive [Negative]</u>
General Fund	\$ 3,074,700	\$ -	\$ 3,074,700	\$ 2,602,581	\$ 472,119
Special Revenue Funds:					
Airport	24,176	-	24,176	22,815	1,361
Connecting Link Improvement	64,196	-	64,196	63,823	373
Employee Benefit	983,317	-	983,317	611,492	371,825
Industrial	29,000	-	29,000	12,500	16,500
Library	174,000	-	174,000	169,000	5,000
Public Recreation	27,000	-	27,000	25,449	1,551
Special Highway	117,787	-	117,787	113,276	4,511
Special Improvement	54,791	-	54,791	-	54,791
Special Park and Recreation	23,704	-	23,704	12,883	10,821
Debt Service Fund	110,191	-	110,191	93,175	17,016
Enterprise Funds:					
Waste Water	455,413	-	455,413	392,370	63,043
Water Utility	2,535,000	-	2,535,000	2,588,115	[53,115]
Electric Utility	12,376,000	-	12,376,000	7,298,031	5,077,969

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

CITY OF CLAY CENTER, KANSAS
 General Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes and shared revenue				
Ad valorem property tax	\$ 873,230	\$ 1,131,459	\$ 1,214,147	\$ [82,688]
Alcohol tax	7,636	4,899	6,000	[1,101]
Delinquent and foreclosures	15,794	9,609	6,000	3,609
Franchise tax	123,089	165,076	390,000	[224,924]
Motor vehicle tax	163,701	135,963	138,007	[2,044]
Recreational vehicle tax	2,478	1,923	3,828	[1,905]
Sales tax	901,195	879,346	900,000	[20,654]
Licenses and permits	34,745	35,305	33,000	2,305
Fines and fees	63,137	68,010	61,500	6,510
Charges for services	216,454	29,374	30,000	[626]
Payment in lieu of taxes	114,458	211,495	-	211,495
FEMA income	500	-	-	-
Miscellaneous	7,691	18,892	3,000	15,892
Transfers in	-	99,317	99,317	-
Use of money and property	17,362	19,847	20,000	[153]
Total Cash Receipts	<u>2,541,470</u>	<u>2,810,515</u>	<u>\$ 2,904,799</u>	<u>\$ [94,284]</u>
Expenditures and Transfers Subject to Budget				
General government	811,774	603,457	\$ 620,000	\$ 16,543
Police department	414,787	541,946	645,000	103,054
Fire department	346,663	520,792	557,000	36,208
Highway department	363,756	532,322	630,000	97,678
Refuse disposal	140,521	-	-	-
Parks department	109,084	174,537	192,000	17,463
Pool department	76,847	68,878	91,700	22,822
Cemetery department	100,461	121,000	149,000	28,000
Appropriations	-	-	50,000	50,000
Debt service	-	-	100,000	100,000
Transfers out	102,958	39,649	40,000	351
Total Expenditures and Transfers Subject to Budget	<u>2,466,851</u>	<u>2,602,581</u>	<u>\$ 3,074,700</u>	<u>\$ 472,119</u>
Receipts Over [Under] Expenditures	74,619	207,934		
Unencumbered Cash, Beginning	<u>301,016</u>	<u>375,635</u>		
Unencumbered Cash, Ending	<u>\$ 375,635</u>	<u>\$ 583,569</u>		

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

CITY OF CLAY CENTER, KANSAS
 Airport Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Use of money and property	\$ 10,120	\$ 10,110	\$ 10,120	\$ [10]
Insurance proceeds	17,033	300	-	300
Transfers in	<u>5,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total Cash Receipts	<u>32,153</u>	<u>20,410</u>	<u>\$ 20,120</u>	<u>\$ 290</u>
Expenditures and Transfers Subject to Budget				
Contractual services	9,519	12,391	\$ 10,000	\$ [2,391]
Commodities	13,572	10,424	13,876	3,452
Qualifying budget credit	<u>-</u>	<u>-</u>	<u>300</u>	<u>300</u>
Total Expenditures and Transfers Subject to Budget	<u>23,091</u>	<u>22,815</u>	<u>\$ 24,176</u>	<u>\$ 1,361</u>
Receipts Over [Under] Expenditures	9,062	[2,405]		
Unencumbered Cash, Beginning	<u>3,883</u>	<u>12,945</u>		
Unencumbered Cash, Ending	<u>\$ 12,945</u>	<u>\$ 10,540</u>		

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

CITY OF CLAY CENTER, KANSAS
 Connecting Link Improvement Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Connecting link distribution	\$ 29,268	\$ 29,268	\$ 29,000	\$ 268
Total Cash Receipts	<u>29,268</u>	<u>29,268</u>	<u>\$ 29,000</u>	<u>\$ 268</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>59,511</u>	<u>63,823</u>	<u>\$ 64,196</u>	<u>\$ 373</u>
Total Expenditures and Transfers Subject to Budget	<u>59,511</u>	<u>63,823</u>	<u>\$ 64,196</u>	<u>\$ 373</u>
Receipts Over [Under] Expenditures	[30,243]	[34,555]		
Unencumbered Cash, Beginning	<u>71,196</u>	<u>40,953</u>		
Unencumbered Cash, Ending	<u>\$ 40,953</u>	<u>\$ 6,398</u>		

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

CITY OF CLAY CENTER, KANSAS
 Employee Benefit Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 271,303	\$ 37,458	\$ 37,244	\$ 214
Employee contributions	<u>571,767</u>	<u>528,316</u>	<u>900,000</u>	<u>[371,684]</u>
Total Cash Receipts	<u>843,070</u>	<u>565,774</u>	<u>\$ 937,244</u>	<u>\$ [371,470]</u>
Expenditures and Transfers Subject to Budget				
Personal services	798,954	528,175	\$ 983,317	\$ 455,142
Transfer in	<u>-</u>	<u>83,317</u>	<u>-</u>	<u>[83,317]</u>
Total Expenditures and Transfers Subject to Budget	<u>798,954</u>	<u>611,492</u>	<u>\$ 983,317</u>	<u>\$ 371,825</u>
Receipts Over [Under] Expenditures	44,116	[45,718]		
Unencumbered Cash, Beginning	<u>61,349</u>	<u>105,465</u>		
Unencumbered Cash, Ending	<u>\$ 105,465</u>	<u>\$ 59,747</u>		

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

CITY OF CLAY CENTER, KANSAS
 Industrial Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 26,585	\$ 24,960	\$ 26,448	\$ [1,488]
Total Cash Receipts	<u>26,585</u>	<u>24,960</u>	<u>\$ 26,448</u>	<u>\$ [1,488]</u>
Expenditures and Transfers Subject to Budget				
Appropriations	18,750	12,500	\$ 25,000	\$ 12,500
Commodities	-	-	1,500	1,500
Contractual services	-	-	1,500	1,500
Neighborhood revitalization program allowance	-	-	1,000	1,000
Total Expenditures and Transfers Subject to Budget	<u>18,750</u>	<u>12,500</u>	<u>\$ 29,000</u>	<u>\$ 16,500</u>
Receipts Over [Under] Expenditures	7,835	12,460		
Unencumbered Cash, Beginning	<u>4,022</u>	<u>11,857</u>		
Unencumbered Cash, Ending	<u>\$ 11,857</u>	<u>\$ 24,317</u>		

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

CITY OF CLAY CENTER, KANSAS
Library Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 168,761	\$ 162,477	\$ 173,928	\$ [11,451]
Transfer in	-	6,200	-	6,200
	<u>168,761</u>	<u>168,677</u>	<u>\$ 173,928</u>	<u>\$ [5,251]</u>
Total Cash Receipts				
Expenditures and Transfers Subject to Budget				
Appropriations	169,000	169,000	\$ 169,000	\$ -
Neighborhood revitalization program allowance	-	-	5,000	5,000
	<u>169,000</u>	<u>169,000</u>	<u>\$ 174,000</u>	<u>\$ 5,000</u>
Total Expenditures and Transfers Subject to Budget				
Receipts Over [Under] Expenditures	[239]	[323]		
Unencumbered Cash, Beginning	<u>623</u>	<u>384</u>		
Unencumbered Cash, Ending	<u>\$ 384</u>	<u>\$ 61</u>		

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

CITY OF CLAY CENTER, KANSAS
Public Recreation Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 25,787	\$ 23,346	\$ 24,833	\$ [1,487]
Reimbursements	<u>-</u>	<u>1,567</u>	<u>-</u>	<u>1,567</u>
Total Cash Receipts	<u>25,787</u>	<u>24,913</u>	<u>\$ 24,833</u>	<u>\$ 80</u>
Expenditures and Transfers Subject to Budget				
Appropriations	2,250	2,250	\$ 26,000	\$ 23,750
Commodities	12,622	12,693	-	[12,693]
Personal services	10,897	10,506	-	[10,506]
Neighborhood revitalization program allowance	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Total Expenditures and Transfers Subject to Budget	<u>25,769</u>	<u>25,449</u>	<u>\$ 27,000</u>	<u>\$ 1,551</u>
Receipts Over [Under] Expenditures	18	[536]		
Unencumbered Cash, Beginning	<u>2,508</u>	<u>2,526</u>		
Unencumbered Cash, Ending	<u>\$ 2,526</u>	<u>\$ 1,990</u>		

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

CITY OF CLAY CENTER, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011
(With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 118,263	\$ 113,517	\$ 110,000	\$ 3,517
Reimbursements	<u>-</u>	<u>8,059</u>	<u>-</u>	<u>8,059</u>
Total Cash Receipts	<u>118,263</u>	<u>121,576</u>	<u>\$ 110,000</u>	<u>\$ 11,576</u>
Expenditures and Transfers Subject to Budget				
Commodities	<u>109,807</u>	<u>113,276</u>	<u>\$ 117,787</u>	<u>\$ 4,511</u>
Total Expenditures and Transfers Subject to Budget	<u>109,807</u>	<u>113,276</u>	<u>\$ 117,787</u>	<u>\$ 4,511</u>
Receipts Over [Under] Expenditures	8,456	8,300		
Unencumbered Cash, Beginning	<u>2,787</u>	<u>11,243</u>		
Unencumbered Cash, Ending	<u>\$ 11,243</u>	<u>\$ 19,543</u>		

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

CITY OF CLAY CENTER, KANSAS
Special Improvement Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Reimbursements	\$ -	\$ -	\$ 15,000	\$ [15,000]
Total Cash Receipts	-	-	\$ 15,000	\$ [15,000]
Expenditures and Transfers Subject to Budget				
Contractual services	-	-	\$ 54,791	\$ 54,791
Total Expenditures and Transfers Subject to Budget	-	-	\$ 54,791	\$ 54,791
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	39,791	39,791		
Unencumbered Cash, Ending	\$ 39,791	\$ 39,791		

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

CITY OF CLAY CENTER, KANSAS
Sales Tax Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

	<u>2011</u>
Cash Receipts	
Miscellaneous	<u>\$ 204,919</u>
 Total Cash Receipts	 <u>204,919</u>
 Expenditures and Transfers	
Construction Costs	<u>36,855</u>
 Total Expenditures and Transfers	 <u>36,855</u>
 Receipts Over [Under] Expenditures	 168,064
 Unencumbered Cash, Beginning	 <u>-</u>
 Unencumbered Cash, Ending	 <u>\$ 168,064</u>

* - This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
Special Parks and Recreation Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 7,636	\$ 4,899	\$ 7,500	\$ [2,601]
Miscellaneous receipts	<u>7,204</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Receipts	<u>14,840</u>	<u>4,899</u>	<u>\$ 7,500</u>	<u>\$ [2,601]</u>
Expenditures and Transfers Subject to Budget				
Appropriations	10,000	4,300	\$ 2,000	\$ [2,300]
Capital outlay	<u>15,285</u>	<u>8,583</u>	<u>21,704</u>	<u>13,121</u>
Total Expenditures and Transfers Subject to Budget	<u>25,285</u>	<u>12,883</u>	<u>\$ 23,704</u>	<u>\$ 10,821</u>
Receipts Over [Under] Expenditures	[10,445]	[7,984]		
Unencumbered Cash, Beginning	<u>29,651</u>	<u>19,206</u>		
Unencumbered Cash, Ending	<u>\$ 19,206</u>	<u>\$ 11,222</u>		

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

CITY OF CLAY CENTER, KANSAS
 2010 Special Improvement Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Proceeds from bond issuance	\$ -	\$ 1,014,275
County grant	-	43,748
Transfer in	-	7,689
	<u> </u>	<u> </u>
Total Cash Receipts	<u>-</u>	<u>1,065,712</u>
Expenditures and Transfers Subject to Budget		
Contractual services	<u>656,878</u>	<u>388,086</u>
	<u> </u>	<u> </u>
Total Expenditures and Transfers Subject to Budget	<u>656,878</u>	<u>388,086</u>
Receipts Over [Under] Expenditures	[656,878]	677,626
Unencumbered Cash, Beginning	<u>677,626</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 20,748</u>	<u>\$ 677,626</u>

* - This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
 Airport Improvement Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
County grant	\$ 70,194	\$ 269,482
Transfer in	<u>3,449</u>	<u>16,269</u>
 Total Cash Receipts	 <u>73,643</u>	 <u>285,751</u>
 Expenditures and Transfers Subject to Budget		
Contractual services	<u>72,026</u>	<u>285,751</u>
 Total Expenditures and Transfers Subject to Budget	 <u>72,026</u>	 <u>285,751</u>
 Receipts Over [Under] Expenditures	 1,617	 -
 Unencumbered Cash, Beginning	 <u>-</u>	 <u>-</u>
 Unencumbered Cash, Ending	 <u>\$ 1,617</u>	 <u>\$ -</u>

* - This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
 Street, Building, Machinery and Equipment Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Fines and fees	\$ -	\$ 10,426
Transfers in	15,000	83,000
Miscellaneous	<u>15,000</u>	<u>-</u>
Total Cash Receipts	<u>30,000</u>	<u>93,426</u>
Expenditures and Transfers		
Equipment	145,981	35,977
Commodities	<u>-</u>	<u>22,248</u>
Total Expenditures and Transfers	<u>145,981</u>	<u>58,225</u>
Receipts Over [Under] Expenditures	[115,981]	35,201
Unencumbered Cash, Beginning	<u>450,693</u>	<u>415,492</u>
Unencumbered Cash, Ending	<u>\$ 334,712</u>	<u>\$ 450,693</u>

* - This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
 Cemetery Perpetual Care Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Perpetual care payments	\$ 1,365	\$ 1,820
Total Cash Receipts	<u>1,365</u>	<u>1,820</u>
Expenditures and Transfers		
Contractual	<u>-</u>	<u>-</u>
Total Expenditures and Transfers	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	1,365	1,820
Unencumbered Cash, Beginning	<u>157,870</u>	<u>156,050</u>
Unencumbered Cash, Ending	<u>\$ 159,235</u>	<u>\$ 157,870</u>

* - This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
Debt Service Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 81,880	\$ 99,551	\$ 83,317	\$ 16,234
Special assessments	-	-	21,157	[21,157]
Total Cash Receipts	<u>81,880</u>	<u>99,551</u>	<u>\$ 104,474</u>	<u>\$ [4,923]</u>
Expenditures and Transfers Subject to Budget				
Bond principal	67,000	73,000	\$ 68,000	\$ [5,000]
Interest	22,320	20,171	20,171	-
Commissions	3	4	20	16
Miscellaneous	-	-	8,000	8,000
Neighborhood revitalization program allowance	-	-	14,000	14,000
Total Expenditures and Transfers Subject to Budget	<u>89,323</u>	<u>93,175</u>	<u>\$ 110,191</u>	<u>\$ 17,016</u>
Receipts Over [Under] Expenditures	<u>[7,443]</u>	<u>6,376</u>		
Unencumbered Cash, Beginning	10,577	3,134		
Prior Year Restatement	-	10,000		
Unencumbered Cash, Beginning (restated)	<u>10,577</u>	<u>13,134</u>		
Unencumbered Cash, Ending	<u>\$ 3,134</u>	<u>\$ 19,510</u>		

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

CITY OF CLAY CENTER, KANSAS
 Pool Project Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Transfers in	\$ 5,000	\$ 3,000
Use of money and property	<u>8</u>	<u>-</u>
Total Cash Receipts	<u>5,008</u>	<u>3,000</u>
Expenditures and Transfers		
Capital outlay	<u>-</u>	<u>-</u>
Total Expenditures and Transfers	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	5,008	3,000
Unencumbered Cash, Beginning	<u>26,119</u>	<u>23,119</u>
Unencumbered Cash, Ending	<u>\$ 31,127</u>	<u>\$ 26,119</u>

* - This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
Waste Water Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 371,931	\$ 451,021	\$ 380,000	\$ 71,021
Loan proceeds	-	-	62,400	[62,400]
Use of money and property	46	-	-	-
Transfers in	-	-	4,000	[4,000]
Miscellaneous	-	10,491	-	10,491
Total Cash Receipts	<u>371,977</u>	<u>461,512</u>	<u>\$ 446,400</u>	<u>\$ 15,112</u>
Expenditures and Transfers Subject to Budget				
Personal services	139,655	147,013	\$ 210,000	\$ 62,987
Commodities	73,025	58,140	65,000	6,860
Contractual services	47,294	50,829	60,000	9,171
Capital outlay	18,296	55,000	34,413	[20,587]
Debt service	65,388	65,388	66,000	612
Transfer out	12,000	16,000	20,000	4,000
Total Expenditures and Transfers Subject to Budget	<u>355,658</u>	<u>392,370</u>	<u>\$ 455,413</u>	<u>\$ 63,043</u>
Receipts Over [Under] Expenditures	16,319	69,142		
Unencumbered Cash, Beginning	<u>63,110</u>	<u>79,429</u>		
Unencumbered Cash, Ending	<u>\$ 79,429</u>	<u>\$ 148,571</u>		

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

CITY OF CLAY CENTER, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 1,799,278	\$ 1,930,789	\$ 2,446,500	\$ [515,711]
Loan proceeds	2,905,760	284,847	-	284,847
Use of money and property	7,503	7,325	10,000	[2,675]
Miscellaneous	<u>48,234</u>	<u>29,965</u>	<u>50,000</u>	<u>[20,035]</u>
Total Cash Receipts	<u>4,760,775</u>	<u>2,252,926</u>	<u>\$ 2,506,500</u>	<u>\$ [253,574]</u>
Expenditures and Transfers Subject to Budget				
Personal services	430,040	407,461	\$ 845,000	\$ 437,539
Contractual	27,797	25,584	200,000	174,416
Capital outlay	3,042,451	299,405	200,000	[99,405]
Commodities	357,957	446,162	740,000	293,838
Debt service	603,737	668,720	550,000	[118,720]
Transfer out	<u>592,545</u>	<u>740,783</u>	<u>-</u>	<u>[740,783]</u>
Total Expenditures and Transfers Subject to Budget	<u>5,054,527</u>	<u>2,588,115</u>	<u>\$ 2,535,000</u>	<u>\$ [53,115]</u>
Receipts Over [Under] Expenditures	[293,752]	[335,189]		
Unencumbered Cash, Beginning	<u>1,370,811</u>	<u>1,077,059</u>		
Unencumbered Cash, Ending	<u>\$ 1,077,059</u>	<u>\$ 741,870</u>		

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

CITY OF CLAY CENTER, KANSAS
 Electric Utility Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 5,352,161	\$ 5,674,771	\$ 7,178,000	\$ [1,503,229]
Taxes	135,215	135,215	180,000	[44,785]
Reimbursements	768,969	1,222,285	2,000,000	[777,715]
Bond proceeds	-	-	2,900,000	[2,900,000]
Lease proceeds	-	167,033	-	167,033
Gain on sale of property	-	98,696	-	98,696
Use of money and property	25,142	37,184	15,000	22,184
Miscellaneous	<u>78,552</u>	<u>47,416</u>	<u>100,000</u>	<u>[52,584]</u>
Total Cash Receipts	<u>6,360,039</u>	<u>7,382,600</u>	<u>\$ 12,373,000</u>	<u>\$ [4,990,400]</u>
Expenditures and Transfers Subject to Budget				
Personal services	1,525,303	1,645,441	\$ 4,880,000	\$ 3,234,559
Contractual	99,984	24,607	1,027,000	1,002,393
Capital outlay	487,920	277,946	2,900,000	2,622,054
Commodities	3,180,689	3,626,927	2,877,000	[749,927]
Debt service	562,226	214,388	500,000	285,612
Sales tax	133,192	133,192	180,000	46,808
Investments in Kansas Power Pool	[135,824]	[123,991]	-	123,991
Mainstreet / EDG payments	6,016	5,846	12,000	6,154
FEMA reconstruction	487,759	1,342,439	-	[1,342,439]
Transfer out	<u>93,399</u>	<u>151,236</u>	<u>-</u>	<u>[151,236]</u>
Total Expenditures and Transfers Subject to Budget	<u>6,440,664</u>	<u>7,298,031</u>	<u>\$ 12,376,000</u>	<u>\$ 5,077,969</u>
Receipts Over [Under] Expenditures	[80,625]	84,569		
Unencumbered Cash, Beginning	<u>2,630,012</u>	<u>2,549,387</u>		
Unencumbered Cash, Ending	<u>\$ 2,549,387</u>	<u>\$ 2,633,956</u>		

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

CITY OF CLAY CENTER, KANSAS
 Refuse Disposal Maintenance Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Charges for services	\$ 229,503	\$ 15,880
Use of money and property	<u>27</u>	<u>-</u>
Total Cash Receipts	<u>229,530</u>	<u>15,880</u>
Expenditures and Transfers		
Commodities	28,891	-
Personal services	120,176	-
Contractual Services	<u>48,616</u>	<u>-</u>
Total Expenditures and Transfers	<u>197,683</u>	<u>-</u>
Receipts Over [Under] Expenditures	31,847	15,880
Unencumbered Cash, Beginning	<u>25,097</u>	<u>9,217</u>
Unencumbered Cash, Ending	<u>\$ 56,944</u>	<u>\$ 25,097</u>

* - This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
 Animal Shelter Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Donations	\$ 20	\$ 50
Total Cash Receipts	<u>20</u>	<u>50</u>
Expenditures and Transfers		
Animal feed and care	<u>-</u>	<u>-</u>
Total Expenditures and Transfers	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	20	50
Unencumbered Cash, Beginning	<u>1,341</u>	<u>1,291</u>
Unencumbered Cash, Ending	<u>\$ 1,361</u>	<u>\$ 1,341</u>

* - This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
 Community Development Block Grant Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Use of money	\$ -	\$ 90
Total Cash Receipts	-	90
Expenditures and Transfers		
Miscellaneous	-	54,453
Total Expenditures and Transfers	-	54,453
Receipts Over [Under] Expenditures	-	[54,363]
Unencumbered Cash, Beginning	-	54,363
Unencumbered Cash, Ending	\$ -	\$ -

* - This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
 Campbell Field Lights Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Donations	\$ 1,200	\$ 100
Total Cash Receipts	<u>1,200</u>	<u>100</u>
Expenditures and Transfers		
Capital outlay	<u>-</u>	<u>-</u>
Total Expenditures and Transfers	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	1,200	100
Unencumbered Cash, Beginning	<u>1,182</u>	<u>1,082</u>
Unencumbered Cash, Ending	<u>\$ 2,382</u>	<u>\$ 1,182</u>

* - This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
 Undercover Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Donations	\$ _____ -	\$ _____ -
Total Cash Receipts	_____ -	_____ -
Expenditures and Transfers		
Operational equipment	_____ -	_____ 200
Total Expenditures and Transfers	_____ -	_____ 200
Receipts Over [Under] Expenditures	-	[200]
Unencumbered Cash, Beginning	_____ 1,298	_____ 1,498
Unencumbered Cash, Ending	<u>\$ 1,298</u>	<u>\$ 1,298</u>

* - This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
 Underage Drinking Reward Fund*
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Receipts		
Donations	\$ _____ -	\$ _____ -
Total Cash Receipts	_____ -	_____ -
Expenditures and Transfers		
Miscellaneous	_____ -	_____ -
Total Expenditures and Transfers	_____ -	_____ -
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	_____ 1,743	_____ 1,743
Unencumbered Cash, Ending	<u>\$ 1,743</u>	<u>\$ 1,743</u>

* - This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
Statement of Cash, Cash Receipts and Disbursements
Agency Funds
For the Year Ended December 31, 2011

<u>FUNDS</u>	Beginning Cash <u>Balance</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Ending Cash <u>Balance</u>
Employee Health Insurance	\$ 176,617	\$ 908,709	\$ 915,811	\$ 169,515
Payroll Withholding Accounts	1,474	1,658,677	1,658,037	2,114
Police Court	<u>18,976</u>	<u>75,541</u>	<u>83,048</u>	<u>11,469</u>
Total Agency Funds	<u>\$ 197,067</u>	<u>\$ 2,642,927</u>	<u>\$ 2,656,896</u>	<u>\$ 183,098</u>

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

CITY OF CLAY CENTER, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Clay Center (City) is a municipal corporation governed by a mayor and eight-member council. These financial statements present the City (the primary government) and exclude its component unit entities, of which the City is considered financially accountable. The excluded component units of the City are as follows:

Clay Center Recreation Commission
Clay Center Public Library
Clay Center Public Housing Authority

Separate component unit financial statements may be obtained directly from the above.

Basis of Accounting

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

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

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

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

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

Fund Descriptions

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

CITY OF CLAY CENTER, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Governmental Fund Types

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

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

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

The Permanent Fund – to account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

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

The Capital Project Funds are used to account for the construction of major capital projects.

Proprietary Fund Types

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

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

Fiduciary Funds

Trust and Agency Funds - to account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds.

Budgetary Information

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

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

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

The statutes permit transferring budgeted amounts between accounts within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual

CITY OF CLAY CENTER, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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

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

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

NOTE 2 - Deposits

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

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

NOTE 3 - Retirement Plan

Plan Description - The City participates in the Kansas Public Employees Retirement System ("System"), 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 required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas Avenue; Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate of up to 6% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded by an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate was 6.74% from January 1 to December 31, 2011. The employer contributions to KPERS for years ending December 31, 2011, 2010 and 2009 were \$212,527, \$190,830, and \$152,809 respectively, equal to the required contributions for each year.

CITY OF CLAY CENTER, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 4 - Long-Term Debt

During the year ended December 31, 2011, the following changes occurred in long term liabilities:

<u>Issue</u>	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2011</u>	Interest <u>Paid</u>
Revolving Loan					
Waste Water	\$ 132,365	\$ -	\$ 31,595	\$ 100,770	\$ 3,512
Sewer Improvement	407,079	-	19,189	387,890	9,776
Water Treatment	8,648,705	284,847	382,441	8,551,111	256,458
General Obligation Bonds					
Series 1996 Waste Water	16,000	-	8,000	8,000	868
Series 2007 Street Improvement	525,000	-	60,000	465,000	19,303
Series 2010 Street Improvement	975,000	-	85,000	890,000	23,759
Series 2010 Taxable	40,000	-	10,000	30,000	-
Series 2010B Refunding	2,785,000	-	-	2,785,000	62,823
Capital Lease Obligation					
New Holland Payloader	17,649	-	17,649	-	884
Bucket Truck	71,257	-	71,257	-	3,308
Bucket Truck	-	167,033	53,010	114,023	8,506
Fire Equipment	35,859	-	17,549	18,310	1,516
Totals	<u>\$13,653,914</u>	<u>\$ 451,880</u>	<u>\$ 755,690</u>	<u>\$ 13,350,104</u>	<u>\$ 390,713</u>

General Obligation Bonds. The City issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

General Obligation Bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year. General Obligation Bonds currently outstanding are as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of issue</u>	<u>Final Maturity</u>	<u>Amount of issue</u>	<u>Current Amount</u>
Series 1996 Waste Water	4.80%-5.45%	10/15/1996	10/1/2012	\$ 83,940	\$ 8,000
Series 2007 Street Improvement	3.50%-3.75%	10/1/2008	10/1/2018	625,000	465,000
Series 2010 Street Improvement	1.25%-3.25%	10/19/2010	11/1/2020	975,000	890,000
Series 2010B Refunding	1.00%-3.15%	4/14/2010	1/1/2020	2,785,000	2,785,000
Series 2010 Taxable	0.00%	10/19/2010	9/1/2014	50,000	30,000
				<u>\$ 4,518,940</u>	<u>\$ 4,178,000</u>

CITY OF CLAY CENTER, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 4 - Long-Term Debt (Continued)

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

Year Ending December 31,	Governmental Funds		Enterprise Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 163,000	\$ 40,109	\$ 225,000	\$ 61,698	\$ 388,000	\$ 101,807
2013	160,000	36,238	295,000	58,655	455,000	94,893
2014	100,000	19,740	300,000	54,188	400,000	73,928
2015	100,000	17,940	310,000	48,538	410,000	66,478
2016	300,000	28,528	310,000	41,950	610,000	70,478
2017-2020	<u>570,000</u>	<u>39,823</u>	<u>1,345,000</u>	<u>82,244</u>	<u>1,915,000</u>	<u>122,067</u>
	<u>\$ 1,393,000</u>	<u>\$ 182,378</u>	<u>\$ 2,785,000</u>	<u>\$ 347,273</u>	<u>\$ 4,178,000</u>	<u>\$ 529,651</u>

State Agency Loans. The City has entered into three loan agreements with the Kansas Department of Health and Environment for improving the wastewater system and water treatment system in Clay Center. At December 31, 2011, the outstanding principal balance for the loans are as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of issue</u>	<u>Final Maturity</u>	<u>Amount of issue</u>	<u>Current Amount</u>
Waste Water	3.07%	10/20/1998	9/1/2014	\$ 425,053	\$ 100,770
Sewer Improvement	2.68%	5/24/2006	9/1/2027	464,521	387,890
Water Treatment*	3.36%	4/18/2007	2/1/2029	<u>9,800,000</u>	<u>8,551,111</u>
				<u>\$ 10,689,574</u>	<u>\$ 9,039,771</u>

*Amortization schedule is not yet available for this loan as draws had not been completed as of 12/31/2011.

The following displays annual debt service requirements to maturity for loans payable to be paid from service revenues, for the full proceeds amount:

Year Ending <u>December 31,</u>	
2012	\$ 64,134
2013	64,134
2014	65,259
2015	29,252
2016	29,252
2017-2021	146,260
2022-2026	146,260
2027	<u>30,722</u>
Total principal and interest	575,273
Less: interest	<u>[86,613]</u>
Total principal	<u>\$ 488,660</u>

CITY OF CLAY CENTER, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 5 – Leases

The City has entered into the following lease agreement as lessee for financing the acquisition of equipment:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of issue</u>	<u>Final Maturity</u>	<u>Amount of issue</u>	<u>Current Amount</u>
Fire Equipment	4.80%	9/27/2002	9/27/2012	\$ 150,000	\$ 18,310
ALTEC Bucket Truck	10.90%	6/6/2011	4/6/2013	<u>167,033</u>	<u>114,023</u>
				<u>\$ 317,033</u>	<u>\$ 132,333</u>

The future minimum lease obligations and net present value of these minimum lease payments as of December 31, 2011, were as follows:

<u>Year Ending</u> <u>December 31,</u>	
2012	\$ 111,250
2013	<u>30,758</u>
Total minimum lease payments	142,008
Less: amount representing interest	<u>[9,675]</u>
Present value of minimum lease payments	<u>\$ 132,333</u>

NOTE 6 - Risk Management

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

NOTE 7 - Compensated Absences

It is the City's policy to pay employees' accrued vacation pay upon termination of employment. As of December 31, 2011, the liability for accrued vacation pay was \$17,922.

CITY OF CLAY CENTER, KANSAS

Notes to the Financial Statements
December 31, 2011

NOTE 8 - Interfund Transfers

A reconciliation of transfers by fund type for 2011 follows:

	<u>To</u>	<u>From</u>
General Fund	\$ 310,812	\$ 37,649
Employee Benefit	-	83,317
Library Fund	6,200	-
Street, Building, Machinery & Equipment Fund	15,000	-
Airport Fund	10,000	-
2010 Special Improvement Fund	1,449	-
Pool Project Fund	5,000	-
Electric Utility Fund	-	151,236
Water Utility Fund	-	740,783
Waste Water Fund	451,021	16,000
Refuse Disposal Maintenance Reserve Fund	<u>229,503</u>	<u>-</u>
	<u>\$ 1,028,985</u>	<u>\$ 1,028,985</u>

CITY OF CLAY CENTER, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Homeland Security</u>		
<u>Passed through the Kansas Division of Emergency Management</u>		
Public Assistance Grants	97.036	\$ <u>1,252,618</u>
Total U.S. Department of Homeland Security		<u>1,252,618</u>
 <u>U.S. Department of Transportation</u>		
<u>Passed through the Kansas Department of Transportation</u>		
Airport Improvement Program	20.106	70,194
State and Community Highway Safety (STEP)	20.600	<u>1,805</u>
Total U.S. Department of Transportation		<u>71,999</u>
Total Federal Awards		<u>\$ 1,324,617</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF CLAY CENTER, KANSAS

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2011

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of the City of Clay Center, Kansas. All expenditures of federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the Kansas prescribed basis of accounting which includes cash disbursements, accounts payable and encumbrances.

CITY OF CLAY CENTER, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

	Unqualified (Prescribed Basis) <u>Adverse (GAAP)</u>
Type of auditor's report issued:	
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u> X </u> No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u> X </u> Yes ___ No
Noncompliance material to financial statements noted?	___ Yes <u> X </u> No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___ Yes <u> X </u> No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	___ Yes <u> X </u> None reported
Type of auditor's report issued on compliance for major programs:	<u> Unqualified </u>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___ Yes <u> X </u> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	Public Assistance Grants

Dollar threshold used to distinguish between type A and type B programs:	<u> \$300,000 </u>
--	--------------------

Auditee qualified as low-risk auditee?	___ Yes <u> X </u> No
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CITY OF CLAY CENTER, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2011

Section II - Financial Statement Findings

Current Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>	<u>Questioned Costs</u>	<u>Recommendation</u>	<u>Management Response</u>
N/A	2011-1	The City Clerk possesses a great deal of control over all record keeping function, including receipts, disbursements, and external reporting. Some segregation of duties is practiced and the City Council approves all disbursements which mitigates exposure from this condition	Internal controls should be put in place to provide reasonable assurance that accounting and reporting functions are performed by individuals with proper supervision and with appropriate segregation of duties.	N/A	We recommend that the City Council continue to develop internal controls whenever possible to segregate incompatible accounting and reporting functions.	In a situation where there is limited staff for accounting purposes, it is financially impractical to design and function with ideal internal controls. Significant responsibility and trust is placed on the City Clerk by the City Council. The Council is aware of the weakness in internal controls, and will continue to support the effort made to strengthen the controls when ever possible.
N/A	2011-2	The municipal court lacks a separation of physical control over cash accounting control over cash in dealing with bank reconciliations, cash receipts and cash disbursements.	Internal controls should be put in place to provide reasonable assurance that accounting and reporting functions are performed by individuals with proper supervision and with appropriate segregation of duties.	N/A	We recommend that the City Council continue to develop internal controls whenever possible to segregate incompatible accounting and reporting functions.	In a situation where there is limited staff for accounting purposes, it is financially impractical to design and function with ideal internal controls. The Council is aware of the weakness in internal controls, and will continue to support the effort made to strengthen the controls when ever possible.

City of Clay Center, Kansas
 Schedule of Findings and Questioned Costs - Continued
 For the Year Ended December 31, 2011

Section II - Financial Statement Findings - Continued

Prior Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>	<u>Questioned Costs</u>	<u>Recommendation</u>	<u>Management Response</u>	<u>Status</u>
N/A	2010-1	The City Clerk possesses a great deal of control over all record keeping function, including receipts, disbursements, and external reporting. Some segregation of duties is practiced and the City Council approves all disbursements which mitigates exposure from this condition	Internal controls should be put in place to provide reasonable assurance that accounting and reporting functions are performed by individuals with proper supervision and with appropriate segregation of duties.	N/A	We recommend that the City Council continue to develop internal controls whenever possible to segregate incompatible accounting and reporting functions.	In a situation where there is limited staff for accounting purposes, it is financially impractical to design and function with ideal internal controls. Significant responsibility and trust is placed on the City Clerk by the City Council. The Council is aware of the weakness in internal controls, and will continue to support the effort made to strengthen the controls when ever possible.	Repeat at 2011-1
N/A	2010-2	The municipal court lacks a separation of physical control over cash accounting control over cash in dealing with bank reconciliations, cash receipts and cash disbursements.	Internal controls should be put in place to provide reasonable assurance that accounting and reporting functions are performed by individuals with proper supervision and with appropriate segregation of duties.	N/A	We recommend that the City Council continue to develop internal controls whenever possible to segregate incompatible accounting and reporting functions.	In a situation where there is limited staff for accounting purposes, it is financially impractical to design and function with ideal internal controls. The Council is aware of the weakness in internal controls, and will continue to support the effort made to strengthen the controls when ever possible.	Repeat at 2011-2

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None noted

Prior Year Findings

None noted



MIZE & HOUSER
COMPANY P.A.

**INDEPENDENT AUDITOR'S 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**

Mayor and City Council
City of Clay Center, Kansas

We have audited the financial statements of the City of Clay Center, Kansas (the City) as of and for the year ended December 31, 2011, and have issued our report thereon dated July 27, 2012, which is a special report on the financial statements prepared in accordance with a basis of accounting prescribed by the State of Kansas. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States.

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 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 entity's 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 over financial reporting 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. However, we identified deficiencies in internal control over financial reporting, described in the schedule of findings and questioned costs, as Findings 2011-1 and 2011-2, that we consider to be significant deficiencies in internal control over financial reporting. The City's response to the finding in that same section has not been audited by us and accordingly, we express no opinion on them. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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. 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." However we noted certain other matters that we reported to management of the City in a separate letter dated July 27, 2012.

This report is intended solely for the information and use of the city council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Mike Houser: Company PA

July 27, 2012



MIZE HOUSER
COMPANY P.A.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mayor and City Council
City of Clay Center, Kansas

Compliance

We have audited the compliance of the City of Clay Center, Kansas (the City), with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2011. Major federal financial programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility 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; 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 on the City's compliance with those requirements.

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

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our 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 not express an opinion on the effectiveness of the City's internal control over compliance.

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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 was not designed to 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 solely for the information and use of the city council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Mike Houser: Company PA

July 27, 2012