

CITY OF HILL CITY, KANSAS
Audit Report
January 1, 2011 to December 31, 2011

MAPES & MILLER LLP
Certified Public Accountants
Hill City, Kansas

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Audit Report
January 1, 2011 to December 31, 2011

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MAPES & MILLER LLP

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INDEPENDENT AUDITOR'S REPORT

To Honorable Mayor and City Council
City of Hill City
Hill City, Kansas 67642

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of City of Hill City, Kansas, as of and for the year ended December 31, 2011, which collectively comprises the basic financial statement of the City's primary government as listed in the table of contents. This financial statement is the responsibility of the City of Hill City, Kansas' 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 the Government Auditing Standards, issued by the Comptroller General of the United States, and the Kansas Municipal Audit Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit 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.

The financial statement does not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effect on the financial statement of the omission of the component units, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, the City 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 effects 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, is presumed to be material.

In our opinion, because of the omission of the discretely presented component units, as discussed above, and 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 as of December 31, 2011, or the respective changes in its financial position for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the primary government of City of Hill City, Kansas, as of December 31, 2011, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2012, on our consideration of the City of Hill City'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 the 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 conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures-actual and budget and individual fund schedules of cash receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the statutory financial statement. Also, the 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 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.

Mapes & Miller LLP

Certified Public Accountants

August 21, 2012
Hill City, Kansas

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

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:						
General Fund	\$ 337,016	838,472	675,714	499,774	2,087	501,861
Special Revenue Funds						
Airport Fund	46,579	64,612	68,907	42,284	69	42,353
Special City Highway Fund	5,372	36,304	31,874	9,802	0	9,802
Employee Benefits Fund	19,077	127,289	118,307	28,059	0	28,059
Special Parks and Recreation Fund	137,984	71,761	56,086	153,659	0	153,659
Equipment Reserve Fund	135,045	111,500	181,002	65,543	3,014	68,557
Capital Improvements Fund	390,142	208,931	50,831	548,242	0	548,242
Recreation Commission Fund	199	24	0	223	0	223
LE Seizure Trust Fund	509	0	0	509	0	509
Municipal Judge Training Fund	11	5	16	0	4	4
Crime Prevention Fund	557	1,200	1,628	129	0	129
Tree and Park Fund	189	0	0	189	0	189
Law Enforcement Training Fund	305	200	505	0	160	160
Ball Complex Lights Fund	20,471	0	0	20,471	0	20,471
Housing Grant Fund	16	0	0	16	0	16
Meth Lab Fund	529	0	0	529	0	529
Dane G. Hansen Fund	15,000	0	8,311	6,689	0	6,689
Bike Safety Program Fund	11	0	0	11	0	11
Industrial Fund	0	2,500	0	2,500	0	2,500
Fema Disaster #1885 Fund	2,108	856	0	2,964	0	2,964

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

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

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Special Revenue Funds						
Diversion Fund	550	328	328	550	0	550
Tort Liability Fund	58,470	0	0	58,470	0	58,470
Debt Service Fund						
Airport Bond and Interest Fund	5,036	43,915	46,693	2,258	0	2,258
Capital Projects Fund						
Airport Runway Fund	0	233,066	206,877	26,189	0	26,189
Proprietary Type Funds:						
Enterprise Funds						
Light Utility Fund	313,448	1,783,705	1,925,750	171,403	221,397	392,800
Water Utility Fund	721,731	466,331	819,589	368,473	1,024	369,497
Sewer Utility Fund	22,676	212,758	158,061	77,373	788	78,161
Golf Course Fund	12,218	40,583	43,407	9,394	0	9,394
Emergency Maintenance Fund	95,000	0	0	95,000	0	95,000
Light and Water Surplus Fund	5,325	0	206	5,119	0	5,119
Sewer Reserve Fund	136,894	40,278	5,295	171,877	0	171,877
Water Improvement Project Fund	69,968	618,948	655,355	33,561	0	33,561
Customer Deposits Fund	200	9,999	9,999	200	16,015	16,215
 Total Reporting Entity	 \$ <u>2,552,636</u>	 <u>4,913,565</u>	 <u>5,064,741</u>	 <u>2,401,460</u>	 <u>244,558</u>	 <u>2,646,018</u>

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

CITY OF HILL CITY, KANSAS
Composition of Cash
For the Year Ended December 31, 2011

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Cash on Hand	\$	100
<u>First State Bank, Hill City, Kansas</u>		
Checking Account		1,400
NOW Account		961,545
Certificate of Deposits		360,186
<u>Farmers and Merchants Bank, Hill City, Kansas</u>		
NOW Account		463,863
Certificate of Deposits		570,372
<u>Citizens State Bank, Hill City, Kansas</u>		
NOW Account		<u>288,552</u>
 Total Reporting Entity	\$	<u><u>2,646,018</u></u>

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

CITY OF HILL CITY, KANSAS

Notes to the Financial Statement

December 31, 2011

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Hill City, Kansas, operates as a third-class city in accordance with the laws of the State of Kansas. The City operates under a mayor-council form of government and provides the following services: public safety (police and fire protection), highways and streets, electricity, water, sewer, culture and recreation services, planning and zoning, public improvements, and general administrative services.

Accounting principles generally accepted in the United States of America require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Hill City Housing Authority is a component unit of the City.

Financial information for the Hill City Housing Authority has not been reported in the City's financial statement. Accordingly, this financial statement presents the activities of the primary government only and is not a complete presentation in accordance with accounting principles generally accepted in the United States of America.

Housing Authority of the City of Hill City. The Housing Authority of the City of Hill City operates the city's public housing facilities. A five member board is appointed by the city council to oversee the operation. The Housing Authority must obtain approval from the City Council for bond issuances. The audited financial statements for the Hill City Housing Authority may be obtained from the Executive Director, Hill City Housing Authority, Hill City, KS 67642.

Fund Accounting

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

The following types of funds comprise the financial activities of the City for the year ended December 31, 2011:

Governmental Type Funds:

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

Special Revenue Funds--To account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to be expended for specified purposes.

Debt Service Fund--To account for the accumulation of resources for, and the payment of interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City.

Capital Projects Fund--To account for financial resources segregated for the acquisition of major capital facilities (other than those financed by Enterprise Funds).

Proprietary Type Funds:

Enterprise Funds--To account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent 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 or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Reimbursements

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statement meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of this statutory basis financial statement, 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. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is charged in the fund from which the transfer is made.

The City has adopted 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.

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, 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 balances 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, building, and equipment owned by the municipality are not presented in the financial statement. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statement.

2. 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 on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2011.

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 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, 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 purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds, and the following special revenue funds: Equipment Reserve Fund, Capital Improvements Fund, LE Seizure Trust Fund, Municipal Judge Training Fund, Crime Prevention Fund, Tree and Park Fund, Law Enforcement Training Fund, Ball Complex Lights Fund, Housing Grant Fund, Meth Lab Fund, Dane G. Hansen Fund, Bike Safety Program Fund, Diversion Fund, and Tort Liability Fund; and the following enterprise funds: Emergency Maintenance Fund, Light and Water Surplus Fund, Sewer Reserve Fund, Water Improvement Project Fund, and Customer Deposits Fund.

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

3. **Property Taxes**

Property taxes are levied November 1st of the calendar year. A lien is placed on the property when the taxes are levied. The taxes are due 1/2 on December 20th and 1/2 the following May 10th. Any taxes unpaid at the due dates are considered delinquent.

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year: such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operation of the City and therefore, are not susceptible to accrual.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period, and further, the amounts thereof are not material to the financial statement taken as a whole.

4. **Inventories and Prepaid Expenses**

Inventories and prepaid expenses which benefit future periods are recorded as expenditures during the year of purchase.

5. **Defined Benefit Pension Plan**

Plan Description. The City of Hill City, Kansas, contributes to 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) 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 active members hired before July 1, 2009. For active members employed on or after July 1, 2009, K.S.A. 74-49,210 establishes the KPERs member-employee contribution rate at 6% of covered salaries. 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 employer contribution rates. The KPERs employer rate established for calendar year 2011 was 6.74%. The City's employer contributions to KPERs for the years ending December 31, 2011, 2010, and 2009 were \$41,234, \$38,108, and \$35,161, respectively, equal to the required contributions for each year.

6. **Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of 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 City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

7. Compensated Absences

Vacation Leave

Full-time City employees earn one day of vacation leave for each month worked. Employees who have been employed by the City for ten or more years earn one and one quarter (1 1/4) days per month. No vacation shall be taken until an employee has worked 12 consecutive, uninterrupted months. Permanent part-time employees who work 20 hours or more per week earn one half (1/2) day of vacation leave for each month worked.

Carryover of vacation leave from one year to the next is not permitted without authorization by the City Superintendent.

See Note 13 – Long-Term Debt for additional information.

Sick Leave

Full-time City employees earn one day of sick leave for each month worked. Permanent part-time employees who work 20 hours or more per week earn one half (1/2) day of sick leave for each month worked. Accumulation of sick leave is limited to 120 days.

Unused sick leave is not paid upon termination of employment with the City except upon retirement. All full-time City employees who retire and receive benefits pursuant to the Kansas Public Retirement System are entitled to a lump-sum cash payment equal to \$20 for each day of unused sick leave. Due to the immaterial amounts involved, sick leave upon retirement has not been quantified in this financial statement.

8. Deposits and Investments

K.S.A. 9-1401 establishes the depositories that 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 the 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 policies that would further limit its investment choices.

Concentration of Credit Risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's investments consist solely of certificates of deposits.

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 not designated any "peak periods" with eligible depositories.

At December 31, 2011, the City's carrying amount of deposits was \$2,703,973 and the bank balance was \$2,689,304. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$1,356,859 was covered by federal depository insurance, \$746,310 was collateralized with securities held by the pledging financial institutions' agents in the City's name, \$377,995 was covered by an irrevocable letter of credit by FHL Bank Topeka.

9. **Capital Projects**

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

<u>Project</u>	<u>Project Authorization</u>	<u>Cash Disbursements and Accounts Payable to Date</u>
Airport Runway	\$3,181,372	\$3,181,372

10. **Interfund Transactions**

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	Capital Improvements Fund	K.S.A. 12-1,118	41,667
General Fund	Equipment Reserve Fund	K.S.A. 12-1,117	41,667
General Fund	Airport Fund	K.S.A. 12-1,118	28,686
General Fund	Airport Runway Fund	K.S.A. 12-6a16	16,699
Light Utility Fund	Capital Improvements Fund	K.S.A. 12-825d	167,264
Light Utility Fund	Equipment Reserve Fund	K.S.A. 12-825d	64,000
Sewer Utility Fund	Employee Benefits Fund	K.S.A. 12-825d	10,000
Sewer Utility Fund	Equipment Reserve Fund	K.S.A. 12-825d	5,833
Sewer Utility Fund	Airport Bond and Interest Fund	K.S.A. 12-825d	5,833
Sewer Utility Fund	Light Utility Fund	K.S.A. 12-825d	11,829

11. **Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain worker's compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the State to participate in the Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for 141 participating members.

The City pays an annual premium to KMIT for its workers' compensation insurance coverage. The agreement to participate provides that KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT's management.

The City continues to carry commercial insurance for all other risks of loss, including property, liability, and automobile. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. **Compliance with Finance Related Legal and Contractual Provisions**

Budget Violation. K.S.A. 79-2935 states that it is unlawful for the governing body of any taxing subdivision or municipality to create indebtedness in excess of the total amount of the adopted budget for that budget year. The Airport Fund and Light Utility Fund exceeded the adopted budget, which appears to be in violation of Kansas Statutes.

13. Long-term Debt

Changes in long-term liabilities for the City of Hill City, Kansas, for the year ended December 31, 2011, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds:										
Airport Improvement Bonds	3.25-5.50%	08/15/02	\$ 500,000	09/01/17	\$ 275,000	0	35,000		240,000	11,690
Water Improvement Bonds	1.51-4.99%	08/15/09	560,000	09/01/24	530,000	0	450,000 *		80,000	11,401
KDHE Loan:										
Water Improvement Loan	3.44%	12/05/05	2,360,731	02/01/28	2,143,029	0	91,071		2,051,958	72,944
Water Improvement Loan	3.47%	11/18/09	421,125	08/01/31	46,000	292,199	0		338,199	0
Capital Leases Payable:										
Freightliner Lease	4.00%	07/25/11	65,102	07/25/16	0	65,102	0		65,102	0
Loader Lease	4.35%	05/05/09	87,500	05/06/13	52,441	0	16,743		35,698	2,281
Total Contractual Indebtedness					3,046,470	357,301	592,814		2,810,957	98,316
Compensated Absences					29,081		(82)		28,999	
Total Long-Term Debt					\$ 3,075,551	357,301	592,732	0	2,839,956	98,316

* Bonds called \$420,000

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 - 2021</u>	<u>2022 - 2026</u>	<u>2027 - 2031</u>	<u>Total</u>
Principal:									
General Obligation Bonds	\$ 65,000	65,000	60,000	40,000	45,000	45,000	0	0	320,000
KDHE Loan	109,121	112,912	116,835	120,893	125,093	693,743	822,905	371,579	2,473,082
Capital Leases Payable	<u>29,487</u>	<u>30,731</u>	<u>13,000</u>	<u>13,520</u>	<u>14,061</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>100,799</u>
Total Principal	<u>203,608</u>	<u>208,643</u>	<u>189,835</u>	<u>174,413</u>	<u>184,154</u>	<u>738,743</u>	<u>822,905</u>	<u>371,579</u>	<u>2,893,881</u>
Interest:									
General Obligation Bonds	12,329	10,248	8,042	5,790	4,050	2,025	-	0	42,484
KDHE Loan	84,269	80,479	76,556	72,497	68,298	273,208	144,046	21,325	820,678
Capital Leases Payable	<u>4,161</u>	<u>2,916</u>	<u>1,623</u>	<u>1,103</u>	<u>562</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,365</u>
Total Interest	<u>100,759</u>	<u>93,643</u>	<u>86,221</u>	<u>79,390</u>	<u>72,910</u>	<u>275,233</u>	<u>144,046</u>	<u>21,325</u>	<u>873,527</u>
Total Principal and Interest	\$ <u>304,367</u>	<u>302,286</u>	<u>276,056</u>	<u>253,803</u>	<u>257,064</u>	<u>1,013,976</u>	<u>966,951</u>	<u>392,904</u>	<u>3,767,408</u>

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

SCHEDULE 1

Description	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance- Over (Under)
Governmental Type Funds:					
General Fund	\$ 759,489	0	759,489	675,714	(83,775)
Special Revenue Funds					
Airport Fund	58,460	0	58,460	68,907	10,447
Special City Highway Fund	48,114	0	48,114	31,874	(16,240)
Employee Benefits Fund	121,400	0	121,400	118,307	(3,093)
Special Parks and Recreation Fund	90,971	0	90,971	56,086	(34,885)
Equipment Reserve Fund	267,781	0	267,781	181,002	*
Capital Improvements Fund	392,500	0	392,500	50,831	**
Recreation Commission Fund	0	0	0	0	0
LE Seizure Trust Fund	354	0	354	0	***
Debt Service Fund					
Airport Bond and Interest Fund	51,200	0	51,200	46,693	(4,507)
Proprietary Type Funds:					
Enterprise Funds					
Light Utility Fund	1,862,252	0	1,862,252	1,925,750	63,498
Water Utility Fund	890,168	0	890,168	819,589	(70,579)
Sewer Utility Fund	163,279	0	163,279	158,061	(5,218)
Golf Course Fund	60,000	0	60,000	43,407	(16,593)
Emergency Maintenance Fund	47,500	0	47,500	0	****

* Exempt from the Budget Law K.S.A. 12-1,117.

** Exempt from the Budget Law K.S.A. 12-1,118.

*** Exempt from the Budget Law K.S.A. 60-4114d (2).

**** Exempt from the Budget Law K.S.A. 12-825d.

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Cash Receipts:			
Taxes			
Ad Valorem Property Tax	\$ 296,814	291,315	5,499
Delinquent Tax	4,972	0	4,972
Motor Vehicle Tax	52,082	42,517	9,565
Recreational Vehicle Tax	1,227	1,311	(84)
16/20M Vehicle Tax	482	701	(219)
Sales and Compensating Use Tax	413,904	260,850	153,054
Local Liquor Tax	4,883	5,636	(753)
Licenses, Permits, and Fines			
Franchise Fees	21,046	21,000	46
Licenses and Permits	2,514	2,200	314
Court Fines	1,715	5,400	(3,685)
Dog Pound Fees	425	500	(75)
Charges for Services			
Swimming Pool	5,620	4,500	1,120
Cemetery	2,293	2,500	(207)
Copies and Maps	0	0	0
Interest on Idle Funds	3,143	4,000	(857)
Miscellaneous	9,929	5,000	4,929
Recycling Center	3,853	3,500	353
Reimbursed Expenses	13,570	0	13,570
	<u>838,472</u>	<u>650,930</u>	<u>187,542</u>
Total Cash Receipts	<u>838,472</u>	<u>650,930</u>	<u>187,542</u>

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Expenditures:			
General Administration			
Personal Services	\$ 11,550	16,095	(4,545)
Contractual Services	68,789	65,410	3,379
Commodities	8,370	21,000	(12,630)
Miscellaneous	626	5,000	(4,374)
Alcohol Appropriation	5,100	2,000	3,100
	<u>94,435</u>	<u>109,505</u>	<u>(15,070)</u>
Police Department			
Personal Services	136,147	154,000	(17,853)
Contractual Services	45,725	55,000	(9,275)
Commodities	22,968	20,000	2,968
Capital Outlay	3,000	2,000	1,000
Miscellaneous	588	500	88
	<u>208,428</u>	<u>231,500</u>	<u>(23,072)</u>
Legal			
Personal Services	20,461	37,000	(16,539)
Contractual Services	1,636	800	836
Commodities	106	500	(394)
	<u>22,203</u>	<u>38,300</u>	<u>(16,097)</u>
Airport, Parks, and Cemetery			
Personal Services	7,887	18,000	(10,113)
Contractual Services	5,840	3,000	2,840
Commodities	24,015	21,000	3,015
	<u>37,742</u>	<u>42,000</u>	<u>(4,258)</u>

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
Fire Department			
Personal Services	\$ 8,979	15,000	(6,021)
Contractual Services	6,351	9,000	(2,649)
Commodities	7,743	6,500	1,243
Capital Outlay	0	4,000	(4,000)
	<u>23,073</u>	<u>34,500</u>	<u>(11,427)</u>
Total Fire Department			
Street Department			
Personal Services	49,838	49,000	838
Contractual Services	25,408	27,500	(2,092)
Commodities	29,928	56,140	(26,212)
Capital Outlay	7,275		7,275
	<u>112,449</u>	<u>132,640</u>	<u>(20,191)</u>
Total Street Department			
Oil Museum			
Contractual Services	985	1,000	(15)
Swimming Pool			
Personal Services	28,441	26,522	1,919
Contractual Services	6,038	9,500	(3,462)
Commodities	11,617	10,500	1,117
Misc	19	0	19
	<u>46,115</u>	<u>46,522</u>	<u>(407)</u>
Total Swimming Pool			
Scout House			
Contractual Services	1,565	1,000	565

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Other			
Golf Course	\$ 0	12,522	(12,522)
Total Other	<u>0</u>	<u>12,522</u>	<u>(12,522)</u>
Operating Transfers			
Transfer to Capital Improvements Fund	41,667	50,000	(8,333)
Transfer to Equipment Reserve Fund	41,667	50,000	(8,333)
Transfer to Airport Runway	16,699	0	16,699
Transfer to Airport Fund	<u>28,686</u>	<u>10,000</u>	<u>18,686</u>
Total Operating Transfers	<u>128,719</u>	<u>110,000</u>	<u>18,719</u>
Total Expenditures	<u>675,714</u>	<u>759,489</u>	<u>(83,775)</u>
Cash Receipts Over (Under) Expenditures	162,758		
Unencumbered Cash, Beginning	<u>337,016</u>		
Unencumbered Cash, Ending	<u>\$ 499,774</u>		

Special Revenue Funds

Summary of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Airport Fund			
Cash Receipts:			
Rent	\$ 107	1,000	(893)
Farm Income	0	5,000	(5,000)
Fuel	35,583	19,000	16,583
Miscellaneous	35	0	35
Reimbursed Expenses	201	0	201
Transfer from General Fund	<u>28,686</u>	<u>10,000</u>	<u>18,686</u>
 Total Cash Receipts	 <u>64,612</u>	 <u>35,000</u>	 <u>29,612</u>
Expenditures:			
Personal Services	0	8,000	(8,000)
Contractual Services	27,993	9,000	18,993
Commodities	40,903	29,000	11,903
Capital Outlay	0	12,460	(12,460)
Reimbursement	0	0	0
Miscellaneous	<u>11</u>	<u>0</u>	<u>11</u>
 Total Expenditures	 <u>68,907</u>	 <u>58,460</u>	 <u>10,447</u>
 Cash Receipts Over (Under) Expenditures	 <u>(4,295)</u>		
Unencumbered Cash, Beginning	<u>46,579</u>		
 Unencumbered Cash, Ending	 <u>\$ 42,284</u>		

Special Revenue Funds

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Special City Highway Fund			
Cash Receipts:			
Intergovernmental	\$ 36,304	38,553	(2,249)
Expenditures:			
Contractual Services	29,867	27,000	2,867
Commodities	2,007	21,114	(19,107)
Total Expenditures	<u>31,874</u>	<u>48,114</u>	<u>(16,240)</u>
Cash Receipts Over (Under) Expenditures	4,430		
Unencumbered Cash, Beginning	<u>5,372</u>		
Unencumbered Cash, Ending	<u>\$ 9,802</u>		

Special Revenue Funds

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Employee Benefits Fund			
Cash Receipts:			
Taxes			
Ad Valorem Property Tax	\$ 99,355	97,514	1,841
Delinquent Tax	1,423	0	1,423
Motor Vehicle Tax	15,976	13,259	2,717
Recreational Vehicle Tax	377	408	(31)
16/20M Vehicle Tax	130	219	(89)
Reimbursed Expense	28	0	28
Transfer from Sewer Utility Fund	10,000	10,000	0
	<u>127,289</u>	<u>121,400</u>	<u>5,889</u>
Total Cash Receipts			
Expenditures:			
Social Security Tax	15,521	16,300	(779)
Medicare Tax	3,630	3,600	30
KPERS	12,949	11,000	1,949
Health Insurance Premiums	83,137	90,000	(6,863)
Unemployment Tax	3,070	500	2,570
	<u>118,307</u>	<u>121,400</u>	<u>(3,093)</u>
Total Expenditures			
Cash Receipts Over (Under) Expenditures	8,982		
Unencumbered Cash, Beginning	<u>19,077</u>		
Unencumbered Cash, Ending	<u>\$ 28,059</u>		

Special Revenue Funds

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Special Parks and Recreation Fund			
Cash Receipts:			
Taxes			
Ad Valorem Property Tax	\$ 34,023	33,392	631
Delinquent Tax	575	0	575
Motor Vehicle Tax	6,838	5,340	1,498
Recreational Vehicle Tax	161	164	(3)
16/20M Vehicle Tax	83	88	(5)
State Aid	9,801	0	9,801
Insurance Reimbursement	13,275	0	13,275
Misc	2,122	0	2,122
Local Liquor Tax	4,883	5,636	(753)
	<u>71,761</u>	<u>44,620</u>	<u>27,141</u>
Expenditures:			
Personal Services	0	20,000	(20,000)
Contractual Services	13,275	37,971	(24,696)
Commodities	42,433	1,000	41,433
Capital Outlay	0	32,000	(32,000)
Misc	378	0	378
	<u>56,086</u>	<u>90,971</u>	<u>(34,885)</u>
Cash Receipts Over (Under) Expenditures	15,675		
Unencumbered Cash, Beginning	<u>137,984</u>		
Unencumbered Cash, Ending	\$ <u>153,659</u>		

Special Revenue Funds

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>*Budget</u>	Variance- Over (Under)
Equipment Reserve Fund			
Cash Receipts:			
Transfer from General Fund	\$ 41,667	50,000	(8,333)
Transfer from Light Utility Fund	64,000	64,000	0
Transfer from Sewer Utility Fund	5,833	10,000	(4,167)
	<u>111,500</u>	<u>124,000</u>	<u>(12,500)</u>
Total Cash Receipts			
Expenditures:			
Sewer Equipment	161,978	86,700	75,278
Police Equipment	0	6,000	(6,000)
Street	0	7,357	(7,357)
Light Equipment	0	142,100	(142,100)
Fire	0	6,600	(6,600)
Other Equipment	0	0	0
Loader Lease	19,024	19,024	0
	<u>181,002</u>	<u>267,781</u>	<u>(86,779)</u>
Total Expenditures			
Cash Receipts Over (Under) Expenditures	(69,502)		
Unencumbered Cash, Beginning	<u>135,045</u>		
Unencumbered Cash, Ending	\$ <u>65,543</u>		

* Exempt from the Budget Law K.S.A. 12-1,117.

Special Revenue Funds

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>*Budget</u>	Variance- Over (Under)
Capital Improvements Fund			
Cash Receipts:			
Transfer from General Fund	\$ 41,667	50,000	(8,333)
Transfer from Light Utility Fund	<u>167,264</u>	<u>167,264</u>	<u>0</u>
Total Cash Receipts	<u>208,931</u>	<u>217,264</u>	<u>(8,333)</u>
Expenditures:			
Street Repair	16,715	70,000	(53,285)
Capital Outlay	5,300	70,000	(64,700)
Misc	5,589	0	5,589
Commodities	23,227	138,500	(115,273)
Airport Improvements	0	74,000	(74,000)
Other Capital Improvements	0	10,000	(10,000)
Swimming Pool	<u>0</u>	<u>30,000</u>	<u>(30,000)</u>
Total Expenditures	<u>50,831</u>	<u>392,500</u>	<u>(341,669)</u>
Cash Receipts Over (Under) Expenditures	158,100		
Unencumbered Cash, Beginning	<u>390,142</u>		
Unencumbered Cash, Ending	<u>\$ 548,242</u>		

* Exempt from the Budget Law K.S.A. 12-1,118.

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Recreation Commission Fund			
Cash Receipts:			
Taxes			
Delinquent Tax	\$ 24	0	24
Motor Vehicle Tax	0	0	0
Recreational Vehicle Tax	0	0	0
16/20M Vehicle Tax	0	0	0
	<u>24</u>	<u>0</u>	<u>24</u>
Total Cash Receipts	<u>24</u>	<u>0</u>	<u>24</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Cash Receipts Over (Under) Expenditures	24		
Unencumbered Cash, Beginning	<u>199</u>		
Unencumbered Cash, Ending	<u>\$ 223</u>		

Special Revenue Funds

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>*Budget</u>	Variance- Over (Under)
LE Seizure Trust Fund			
Cash Receipts	\$ 0	100	(100)
Expenditures:			
Contractual Services	<u>0</u>	<u>354</u>	<u>(354)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>509</u>		
Unencumbered Cash, Ending	<u>\$ 509</u>		

* Exempt from the Budget Law K.S.A. 60-4114d (2).

Schedule of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2011

	<u>Actual</u>
Municipal Judge Training Fund	
Cash Receipts	
Municipal Court Fines	\$ <u>5</u>
Expenditures	<u>16</u>
Cash Receipts Over (Under) Expenditures	(11)
Unencumbered Cash, Beginning	<u>11</u>
Unencumbered Cash, Ending	\$ <u><u>0</u></u>
Crime Prevention Fund	
Cash Receipts	\$ <u>1,200</u>
Expenditures:	
Training	<u>1,628</u>
Cash Receipts Over (Under) Expenditures	(428)
Unencumbered Cash, Beginning	<u>557</u>
Unencumbered Cash, Ending	\$ <u><u>129</u></u>
Tree and Park Fund	
Cash Receipts	\$ <u>0</u>
Expenditures	<u>0</u>
Cash Receipts Over (Under) Expenditures	0
Unencumbered Cash, Beginning	<u>189</u>
Unencumbered Cash, Ending	\$ <u><u>189</u></u>

CITY OF HILL CITY, KANSAS

Special Revenue Funds

Schedule of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2011

	<u>Actual</u>
Law Enforcement Training Fund	
Cash Receipts:	
Municipal Court Fines	\$ <u>200</u>
Expenditures	<u>505</u>
Cash Receipts Over (Under) Expenditures	(305)
Unencumbered Cash, Beginning	<u>305</u>
Unencumbered Cash, Ending	\$ <u><u>0</u></u>
Ball Complex Lights Fund	
Cash Receipts	\$ <u>0</u>
Expenditures	<u>0</u>
Cash Receipts Over (Under) Expenditures	0
Unencumbered Cash, Beginning	<u>20,471</u>
Unencumbered Cash, Ending	\$ <u><u>20,471</u></u>
Housing Grant Fund	
Cash Receipts	\$ <u>0</u>
Expenditures	<u>0</u>
Cash Receipts Over (Under) Expenditures	0
Unencumbered Cash, Beginning	<u>16</u>
Unencumbered Cash, Ending	\$ <u><u>16</u></u>

CITY OF HILL CITY, KANSAS

Special Revenue Funds

Schedule of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2011

	<u>Actual</u>
Meth Lab Fund	
Cash Receipts	\$ <u>0</u>
Expenditures	<u>0</u>
Cash Receipts Over (Under) Expenditures	0
Unencumbered Cash, Beginning	<u>529</u>
Unencumbered Cash, Ending	\$ <u><u>529</u></u>
Dane G. Hansen Fund	
Cash Receipts	
Donation	\$ <u>0</u>
Expenditures:	
Capital Outlay	<u>8,311</u>
Cash Receipts Over (Under) Expenditures	(8,311)
Unencumbered Cash, Beginning	<u>15,000</u>
Unencumbered Cash, Ending	\$ <u><u>6,689</u></u>
Bike Safety Program Fund	
Cash Receipts:	
Donations	\$ <u>0</u>
Expenditures:	
Miscellaneous	<u>0</u>
Cash Receipts Over (Under) Expenditures	0
Unencumbered Cash, Beginning	<u>11</u>
Unencumbered Cash, Ending	\$ <u><u>11</u></u>

CITY OF HILL CITY, KANSAS

Special Revenue Funds

Schedule of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2011

	<u>Actual</u>
Diversion Fund	
Cash Receipts:	
Diversion Fines	\$ <u>328</u>
Expenditures	<u>328</u>
Cash Receipts Over (Under) Expenditures	0
Unencumbered Cash, Beginning	<u>550</u>
Unencumbered Cash, Ending	\$ <u><u>550</u></u>
Tort Liability Fund	
Cash Receipts	\$ <u>0</u>
Expenditures	<u>0</u>
Cash Receipts Over (Under) Expenditures	0
Unencumbered Cash, Beginning	<u>58,470</u>
Unencumbered Cash, Ending	\$ <u><u>58,470</u></u>
Fema Disaster #1885 Fund	
Cash Receipts	
Federal Aid - FEMA Grant	\$ 755
State Aid - FEMA Grant	<u>101</u>
Total cash receipts	<u>856</u>
Expenditures	
Commodities	<u>0</u>
Cash Receipts Over (Under) Expenditures	856
Unencumbered Cash, Beginning	<u>2,108</u>
Unencumbered Cash, Ending	\$ <u><u>2,964</u></u>

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Airport Bond and Interest Fund			
Cash Receipts:			
Taxes			
Ad Valorem Property Tax	\$ 30,490	29,925	565
Delinquent Tax	545	0	545
Motor Vehicle Tax	6,844	5,856	988
Recreational Vehicle Tax	161	180	(19)
16/20M Vehicle Tax	42	97	(55)
Transfer from Sewer Utility Fund	<u>5,833</u>	<u>10,000</u>	<u>(4,167)</u>
Total Cash Receipts	<u>43,915</u>	<u>46,058</u>	<u>(2,143)</u>
Expenditures:			
Principal	35,000	35,000	0
Interest	11,690	11,690	0
Fees	3	10	(7)
Cash Basis Reserve	<u>0</u>	<u>4,500</u>	<u>(4,500)</u>
Total Expenditures	<u>46,693</u>	<u>51,200</u>	<u>(4,507)</u>
Cash Receipts Over (Under) Expenditures	<u>(2,778)</u>		
Unencumbered Cash, Beginning	<u>5,035</u>		
Unencumbered Cash, Ending	<u>\$ 2,257</u>		

Capital Projects Fund

Schedule of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2011

	<u>Actual</u>
Airport Runway Fund	
Cash Receipts:	
State Aid	\$ 0
Transfer from General	16,699
FAA Grant	<u>216,367</u>
 Total Receipts	 <u>233,066</u>
Expenditures:	
Capital Outlay	<u>206,877</u>
 Cash Receipts Over (Under) Expenditures	 26,189
Unencumbered Cash, Beginning	<u>0</u>
 Unencumbered Cash, Ending	 \$ <u><u>26,189</u></u>

Enterprise Funds

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Light Utility Fund			
Cash Receipts:			
Charges for Services	\$ 1,722,483	1,684,468	38,015
Other Sales and Services	6,210	5,000	1,210
Refunds	1,958	0	1,958
Miscellaneous	29,098	20,000	9,098
Reimbursed Expenses	12,127	0	12,127
Transfer from Sewer Utility Fund	11,829	20,279	(8,450)
	<u>1,783,705</u>	<u>1,729,747</u>	<u>53,958</u>
Total Cash Receipts			
Expenditures:			
General and Administration			
Personal Services	218,756	238,312	(19,556)
Contractual Services	45,028	45,000	28
Commodities	15,888	25,000	(9,112)
Sales Tax	47,777	42,000	5,777
Miscellaneous	7,171	0	7,171
	<u>334,620</u>	<u>350,312</u>	<u>(15,692)</u>
Total General and Administration			
Production			
Personal Services	136,379	142,569	(6,190)
Contractual Services	60,543	53,000	7,543
Commodities	15,120	38,857	(23,737)
Purchased Power	964,553	885,000	79,553
	<u>1,176,595</u>	<u>1,119,426</u>	<u>57,169</u>
Total Production			

Enterprise Funds

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Light Utility Fund (Continued)			
Distribution			
Personal Services	\$ 84,424	80,250	4,174
Contractual Services	37,760	31,000	6,760
Commodities	<u>61,087</u>	<u>50,000</u>	<u>11,087</u>
Total Distribution	<u>183,271</u>	<u>161,250</u>	<u>22,021</u>
Operating Transfers			
Transfer to Capital Improvements Fund	167,264	167,264	0
Transfer to Equipment Reserve Fund	<u>64,000</u>	<u>64,000</u>	<u>0</u>
Total Operating Transfers	<u>231,264</u>	<u>231,264</u>	<u>0</u>
Total Expenditures	<u>1,925,750</u>	<u>1,862,252</u>	<u>63,498</u>
Cash Receipts Over (Under) Expenditures	(142,045)		
Unencumbered Cash, Beginning	<u>313,448</u>		
Unencumbered Cash, Ending	<u>\$ 171,403</u>		

Enterprise Funds

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Water Utility Fund			
Cash Receipts:			
Charges for Services	\$ 459,023	310,000	149,023
Other Sales and Services	3,446	1,300	2,146
Miscellaneous	1,297	0	1,297
Reimbursed Expenses	<u>2,565</u>	<u>0</u>	<u>2,565</u>
Total Cash Receipts	<u>466,331</u>	<u>311,300</u>	<u>155,031</u>
Expenditures:			
General and Administration			
Taxes and Water Fees	2,792	3,000	(208)
2009 GO Bond Payment	461,445	461,443	2
KDHE Loan Principal	91,070	91,070	0
KDHE Loan Interest	72,944	72,944	0
Miscellaneous	<u>48</u>	<u>0</u>	<u>48</u>
Total General and Administration	<u>628,299</u>	<u>628,457</u>	<u>(158)</u>
Distribution			
Personal Services	65,611	105,000	(39,389)
Contractual Services	72,335	62,000	10,335
Commodities	53,344	50,000	3,344
Capital Outlay	<u>0</u>	<u>44,711</u>	<u>(44,711)</u>
Total Distribution	<u>191,290</u>	<u>261,711</u>	<u>(70,421)</u>
Total Expenditures	<u>819,589</u>	<u>890,168</u>	<u>(70,579)</u>
Cash Receipts Over (Under) Expenditures	<u>(353,258)</u>		
Unencumbered Cash, Beginning	<u>721,731</u>		
Unencumbered Cash, Ending	<u>\$ 368,473</u>		

Enterprise Funds

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Sewer Utility Fund			
Cash Receipts:			
Charges for Services	\$ 206,077	153,000	53,077
Other Sales and Services	650	600	50
Miscellaneous	4,607	0	4,607
Reimbursed Expenses	<u>1,424</u>	<u>0</u>	<u>1,424</u>
Total Cash Receipts	<u>212,758</u>	<u>153,600</u>	<u>59,158</u>
Expenditures:			
Personal Services	39,934	50,000	(10,066)
Contractual Services	19,092	23,000	(3,908)
Commodities	24,873	20,000	4,873
Capital Outlay	0	20,000	(20,000)
Miscellaneous	389	0	389
Transfer to Equipment Reserve Fund	5,833	10,000	(4,167)
Transfer to Light Utility Fund	11,829	20,279	(8,450)
Transfer to Employee Benefits Fund	10,000	10,000	0
Transfer to Sewer Reserve Fund	40,278	0	40,278
Transfer to Airport Bond and Interest Fund	<u>5,833</u>	<u>10,000</u>	<u>(4,167)</u>
Total Expenditures	<u>158,061</u>	<u>163,279</u>	<u>(5,218)</u>
Cash Receipts Over (Under) Expenditures	54,697		
Unencumbered Cash, Beginning	<u>22,676</u>		
Unencumbered Cash, Ending	<u>\$ 77,373</u>		

Enterprise Funds

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Golf Course Fund			
Cash Receipts:			
Rent	\$ 9,600	9,000	600
Membership Dues	25,925	25,000	925
Charges for Services	5,058	7,000	(1,942)
Reimbursements	0	12,522	(12,522)
	<u>40,583</u>	<u>53,522</u>	<u>(12,939)</u>
Total Cash Receipts			
Expenditures:			
Personal Services	14,458	26,200	(11,742)
Contractual Services	2,173	6,200	(4,027)
Commodities	26,776	17,000	9,776
Capital Outlay	0	10,600	(10,600)
	<u>43,407</u>	<u>60,000</u>	<u>(16,593)</u>
Total Expenditures			
Cash Receipts Over (Under) Expenditures	(2,824)		
Unencumbered Cash, Beginning	<u>12,218</u>		
Unencumbered Cash, Ending	<u>\$ 9,394</u>		

Enterprise Funds

Schedule of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

	<u>Actual</u>	<u>*Budget</u>	Variance- Over (Under)
Emergency Maintenance Fund			
Cash Receipts	\$ 0	0	0
Expenditures:			
Maintenance	0	47,500	(47,500)
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>95,000</u>		
Unencumbered Cash, Ending	<u>\$ 95,000</u>		

Enterprise Funds

Schedule of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2011

	<u>Actual</u>
Light and Water Surplus Fund	
Cash Receipts	\$ <u>0</u>
Expenditures:	
Industrial Park Project	206
Contractual Services	<u>0</u>
Total Expenditures	<u>206</u>
Cash Receipts Over (Under) Expenditures	(206)
Unencumbered Cash, Beginning	<u>5,325</u>
Unencumbered Cash, Ending	<u><u>\$ 5,119</u></u>
Sewer Reserve Fund	
Cash Receipts:	
Transfer from Sewer Utility Fund	\$ <u>40,278</u>
Expenditures	<u>5,295</u>
Cash Receipts Over (Under) Expenditures	34,983
Unencumbered Cash, Beginning	<u>136,894</u>
Unencumbered Cash, Ending	<u><u>\$ 171,877</u></u>

* Exempt from the Budget Law K.S.A. 12-825d.

Enterprise Funds

Schedule of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2011

	<u>Actual</u>
Water Improvement Project Fund	
Cash Receipts:	
Community Development Block Grant	\$ 326,749
KDHE Loan Proceeds	<u>292,199</u>
Total Cash Receipts	<u>618,948</u>
Expenditures:	
Capital Outlay	<u>655,355</u>
Cash Receipts Over (Under) Expenditures	(36,407)
Unencumbered Cash, Beginning	<u>69,968</u>
Unencumbered Cash, Ending	<u><u>\$ 33,561</u></u>

* Exempt from the Budget Law K.S.A. 12-825d.

Customer Deposits Fund	
Cash Receipts:	
Customer Deposits	\$ <u>9,999</u>
Expenditures:	
Customer Refunds	<u>9,999</u>
Cash Receipts Over (Under) Expenditures	0
Unencumbered Cash, Beginning	<u>200</u>
Unencumbered Cash, Ending	<u><u>\$ 200</u></u>

* Exempt from the Budget Law K.S.A. 12-825d.

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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

Honorable Mayor and City Council
City of Hill City
Hill City, KS 67642

We have audited the financial statement of the City of Hill City, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents, and have issued our report thereon dated August 21, 2012. Our report on the financial statement disclosed that, as described in Note 1 to the financial statement, the City of Hill City prepares its financial statement 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 generally accepted accounting principles. 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 guidance in the Kansas Municipal Audit Guide.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hill 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 statement, 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 statement 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 significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies (2011-1 and 2011-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hill City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 that are required to be reported under Government Auditing Standards.

We noted certain other matters that we reported to management of the City of Hill City in a separate letter dated August 21, 2012.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, the Mayor and City Council, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

Mapes & Miller LLP

Certified Public Accountants

Hill City, Kansas
August 21, 2012

MAPES & MILLER LLP

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

Honorable Mayor and City Council
City of Hill City
Hill City, KS 67642

Compliance

We have audited the compliance of the City of Hill City, Kansas, 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. The City of Hill City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements referred to above is the responsibility of the City of Hill City's management. Our responsibility is to express an opinion on the City of Hill 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 identified in the accompanying Schedule of Findings and Questioned Costs occurred. An audit includes examining, on a test basis, evidence about the City of Hill 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 of Hill City's compliance with those requirements.

In our opinion, the City of Hill City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs identified in the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of the City of Hill City, Kansas, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Hill 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 of Hill City's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-3. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Hill City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Hill City's response and, accordingly, we express no opinion on the responses.

This report is intended for the information and use of management, the Mayor and City Council, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

Mapes & Miller LLP

Certified Public Accountants

Hill City, Kansas
August 21, 2012

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.S. Department of Housing and Urban Development Passed through the Kansas Department of Commerce Community Development Block Grant	14.228	<u>326,749</u>
U.S. Department of Transportation Passed through the Federal Aviation Administration Airport Improvement Program	20.106	<u>216,367</u>
U.S. Department of Homeland Security Passed through the Kansas Division of Emergency Management Disaster Grant - Public Assistance	97.036	<u>755</u>
Total Expenditures of Federal Awards		<u>\$ 543,871</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Hill City, Kansas, under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards is prepared using the statutory basis of accounting to comply with the cash basis laws of the State of Kansas. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENT

Type of auditors' report issued:

In accordance with the statutory basis of accounting described in Note 1 to the financial statement

Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ___ Yes _x_ No
- Significant deficiencies identified that are not considered to be material weaknesses? _x_ Yes ___ No
- Noncompliance material to financial statement noted? ___ Yes _x_ No

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? ___ Yes _x_ No
- Significant deficiencies identified that are not considered to be material weaknesses? _x_ Yes ___ No

Type of auditors' report issued on compliance for major programs:

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

x Yes ___ No

Identification of major programs:

Unqualified

CFDA NUMBER
14.228

NAME OF FEDERAL PROGRAM
Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

___ Yes _x_ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

2011-1 Segregation of Duties

Condition: The limited staff size does not provide for adequate segregating of duties.

Criteria: Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Cause: Because the entity is small, management does not feel it is feasible to hire more staff.

Effect: Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Recommendation: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation. However, the size of the entity does not make it practical to have a sufficient number of employees to achieve the optimum level of internal controls.

2011-2 Financial Statement Preparation

Condition: Management does not have the qualifications and training necessary to prepare the financial statement which would include the related footnote disclosures.

Criteria: Management must have controls over the preparation of the financial statement including footnote disclosures which would prevent or detect an omission/misstatement in the financial statement.

Cause: There are no procedures in place that require management to obtain the necessary qualifications and training.

Effect: The control deficiency allows for omission/misstatements in the financial statement including footnotes that may not be prevented, detected, or corrected.

Recommendation: Management would need to attend training classes and annual continuing education classes to gain an understanding on proper and complete preparation of the financial statement and footnote disclosures and to be aware of all of the current accounting standards by purchasing annual accounting subscriptions.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation. However, the cost of annual subscription services and the continuing education/training classes do not make it practical to obtain the competency and expertise required to correct the deficiency.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant – CFDA No. 14.228 for the year ended December 31, 2011.

2011-3 Segregation of Duties

Condition: The limited staff size does not provide for adequate segregating of duties.

Criteria: Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Cause: Because the entity is small, management does not feel it is feasible to hire more staff.

Effect: Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Recommendation: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation. However, the size of the entity does not make it practical to have a sufficient number of employees to achieve the optimum level of internal controls.

Compliance findings – None found.

Questioned costs – None found.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2010-3

Condition: The limited staff size does not provide for adequate segregating of duties.

Recommendation: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Current Status: The size of the entity does not make it practical to have a sufficient number of employees to achieve the optimum level of internal controls.