

CITY OF NEODESHA, KANSAS

Financial Statement and
Independent Auditors' Report with
Supplemental Information and
Federal Audit Compliance Section

For the Year Ended December 31, 2011

CITY OF NEODESHA, KANSAS

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Neodesha, Kansas

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of the City of Neodesha, Kansas, as of and for the year ended December 31, 2011. This financial statement is the responsibility of the City of Neodesha, Kansas' management. Our responsibility is to express an opinion on the financial statement based on our audit. The prior year summarized comparative information has been derived from the City's 2010 financial statement and, in our report dated June 29, 2011, we expressed an unqualified opinion on the financial statement of the City of Neodesha, Kansas, prepared in accordance with the statutory 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 opinions

As described more fully in Note 1, the City of Neodesha, Kansas, has prepared this financial statement using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The 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, are presumed to be material.

The financial statement, referred to above, does not include financial data of The Housing Authority of the City of Neodesha, Kansas, a component unit, which should be included in order to conform with accounting principles generally accepted in the United States of America. The effect on the financial statement, although not reasonably determinable, is presumed to be material.

In our opinion, because of the omission of The Housing Authority of the City of Neodesha, Kansas, a component unit, and the City's policy to prepare its financial statement on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Neodesha, Kansas as of December 31, 2011, or the changes in its financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, except for the omission of The Housing Authority of the City of Neodesha, Kansas, the financial statement referred above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Neodesha, 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 June 27, 2012, on our consideration of the City of Neodesha, Kansas' 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 conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures-actual and budget, individual fund schedules of cash receipts and expenditures-actual and budget, schedule of cash receipts and expenditures-agency funds, and schedule of cash receipts and expenditures - component units (Schedules 1, 2, 3, and 4 as listed in the table of contents) are presented for analysis and are not a required part of the statutory financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

June 27, 2012
Chanute, Kansas

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

| Funds | Beginning | | Cash Receipts | Expenditures | Ending | | Add Encumbrances and Accounts Payable | | Ending Cash Balances | |
|------------------------------------|---------------------------|--------------|---------------|-----------------|---------------------------|---------------------------|---------------------------------------|-------------------|----------------------|------------|
| | Unencumbered Cash Balance | Cash Balance | | | Unencumbered Cash Balance | Unencumbered Cash Balance | 2011 | December 31, 2010 | | |
| Governmental Type Funds: | | | | | | | | | | |
| General Fund | \$ 112,555.21 | \$ | 2,236,778.14 | \$ 2,328,355.12 | \$ | 20,978.23 | \$ | 58,500.43 | \$ | 170,242.89 |
| Special Revenue Funds: | | | | | | | | | | |
| Recreation | 954.59 | | 70.87 | 515.21 | | 510.25 | | - | 510.25 | 954.59 |
| Industrial Tax | 40,850.21 | | 13,039.71 | 13,130.73 | | 40,759.19 | | 95.11 | 40,854.30 | 40,874.78 |
| Library | 2,420.35 | | 52,816.14 | 52,470.95 | | 2,765.54 | | 2,026.05 | 4,791.59 | 4,791.59 |
| Airport | 3,577.36 | | 5,770.00 | 5,232.46 | | 4,114.90 | | 158.63 | 4,273.53 | 3,745.18 |
| Tort Liability | 47,815.75 | | - | - | | 47,815.75 | | - | 47,815.75 | 47,815.75 |
| Special Highway | 208,212.76 | | 65,929.71 | 146,633.27 | | 127,509.20 | | - | 127,509.20 | 208,212.76 |
| Special Parks and Recreation | 11,468.76 | | 7,555.32 | 2,256.41 | | 16,767.67 | | - | 16,767.67 | 11,468.76 |
| 911 Emergency Equipment | 4,503.17 | | 6,749.74 | 8,840.18 | | 2,412.73 | | - | 2,412.73 | 4,503.17 |
| Community Center Project | 1,872.37 | | 1,805.00 | 3,677.37 | | - | | - | - | 1,900.76 |
| Parking Lot Sinking | 30,000.00 | | - | 30,000.00 | | - | | - | - | 30,000.00 |
| KDOT Airport Grant | 3,200.00 | | 9,900.00 | 13,100.00 | | - | | - | - | 5,950.00 |
| KDGP Housing Development Grant | 78,343.12 | | 582,521.09 | 508,412.91 | | 152,451.30 | | - | 152,451.30 | 78,343.12 |
| CDBG Demolition Grant | 64,514.55 | | 29,778.00 | 94,292.55 | | - | | - | - | 64,514.55 |
| CDBG Economic Development Grant | 50.00 | | 47,303.31 | 47,303.31 | | 50.00 | | - | 50.00 | 50.00 |
| FEMA Project | - | | 2,360,035.83 | 2,360,035.83 | | - | | - | - | - |
| Capital Improvements Reserve | 188,588.36 | | - | 176,352.72 | | 12,235.64 | | - | 12,235.64 | 198,792.11 |
| Debt Service Funds: | | | | | | | | | | |
| Wilson Medical Center Bond Payment | - | | 81,077.50 | 80,615.00 | | 462.50 | | - | 462.50 | - |
| Swimming Pool Bond and Interest | 115,330.80 | | 284,574.94 | 225,092.50 | | 174,813.24 | | - | 174,813.24 | 115,330.80 |
| Capital Project Funds: | | | | | | | | | | |
| W Granby Business Park | 94,275.25 | | - | 88,350.05 | | 5,925.20 | | - | 5,925.20 | 94,800.25 |
| Proprietary Type Funds: | | | | | | | | | | |
| Enterprise Funds: | | | | | | | | | | |
| Electric Utility | 14,256.33 | | 4,266,546.84 | 4,199,169.75 | | 81,633.42 | | 226,536.35 | 308,169.77 | 240,982.82 |
| Electric Utility Reserve | - | | 417,449.00 | 275,000.00 | | 142,449.00 | | - | 142,449.00 | - |
| Gas Utility | 30,158.13 | | 1,555,616.63 | 1,569,462.91 | | 16,311.85 | | 164,122.22 | 180,434.07 | 218,555.25 |
| Gas Line Replacement Sinking | 4,279.77 | | 15,000.96 | - | | 19,280.73 | | - | 19,280.73 | 4,279.77 |
| Water Utility | 71,092.49 | | 616,616.73 | 656,117.50 | | 31,591.72 | | 20,993.83 | 52,585.55 | 88,938.97 |
| Water Utility Reserve | - | | 6,968.00 | - | | 6,968.00 | | - | 6,968.00 | - |
| Water Utility Bond and Interest | 47,798.12 | | 101,620.00 | 101,620.00 | | 47,798.12 | | - | 47,798.12 | 47,798.12 |

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

Statement 1 (Continued)

CITY OF NEODESHA, 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 Encumbrances and Accounts Payable | Ending Cash Balances | |
|--|-------------------------------------|------------------|------------------|----------------------------------|---------------------------------------|----------------------|-----------------|
| | | | | | | 2011 | 2010 |
| Enterprise Funds: (Continued) | | | | | | | |
| Sewer Utility | \$ 195,384.70 | \$ 304,274.10 | \$ 459,832.20 | \$ 39,826.60 | \$ 7,725.83 | \$ 47,552.43 | \$ 199,864.45 |
| Sewer Utility Reserve | - | 2,331.00 | - | 2,331.00 | - | 2,331.00 | - |
| Solid Waste Utility | 1,700.41 | 206,960.83 | 173,372.52 | 35,288.72 | 5,334.69 | 40,623.41 | 7,056.25 |
| Solid Waste Utility Reserve | - | 1,387.00 | - | 1,387.00 | - | 1,387.00 | - |
| Storm Water Utility | 42,750.06 | 31,552.16 | 18,342.72 | 55,959.50 | 628.98 | 56,588.48 | 43,339.49 |
| Storm Water Utility Reserve | - | 214.00 | - | 214.00 | - | 214.00 | - |
| Utility Reserve | 367,452.96 | 24,525.00 | 391,977.96 | - | - | - | 367,452.96 |
| Total Primary Government | 1,783,405.58 | 13,336,767.55 | 14,029,562.13 | 1,090,611.00 | 486,122.12 | 1,576,733.12 | 2,300,559.14 |
| Component Units: | | | | | | | |
| Neodesha Public Library | 426,803.97 | 102,407.36 | 107,819.84 | 421,391.49 | 2,698.29 | 424,089.78 | 429,636.50 |
| Total Component Units | 426,803.97 | 102,407.36 | 107,819.84 | 421,391.49 | 2,698.29 | 424,089.78 | 429,636.50 |
| Total Reporting Entity (Excluding Agency Funds) | \$ 2,210,209.55 | \$ 13,439,174.91 | \$ 14,137,381.97 | \$ 1,512,002.49 | \$ 488,820.41 | \$ 2,000,822.90 | \$ 2,730,195.64 |

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

Statement 1 (Continued)

CITY OF NEODESHA, KANSAS

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2011

| | Ending Cash Balances | |
|--|------------------------|------------------------|
| | December 31, | |
| | 2011 | 2010 |
| Total Reporting Entity (Excluding Agency Funds) Prior Page | <u>\$ 2,000,822.90</u> | <u>\$ 2,730,195.64</u> |
| Composition of Cash: | | |
| Cash on Hand | \$ 500.00 | \$ 500.00 |
| Checking and Savings Accounts | | |
| First Neodesha Bank | | |
| Petty Cash | 405.42 | 500.00 |
| Flexi-Vest Account | 390,934.04 | 1,581,869.46 |
| Operating Checking Account | 401,834.56 | (90,495.53) |
| Payroll Account..... | 9,638.58 | - |
| Fire Insurance Proceeds Account | 25,509.97 | 14,002.75 |
| CDBG Demolition Grant Account | - | 64,514.55 |
| CDBG Economic Development Grant Account | 50.00 | 50.00 |
| KDGP Housing Grant Account | 152,451.30 | 78,343.12 |
| West Granby Business Park Grant Account | - | 94,800.25 |
| Certificates of Deposit | | |
| First Federal Savings & Loan Bank | 200,000.00 | 200,000.00 |
| First Neodesha Bank | 200,000.00 | 200,000.00 |
| Community National Bank | 200,000.00 | 200,000.00 |
| Total Primary Government | <u>1,581,323.87</u> | <u>2,344,084.60</u> |
| Total Component Units | <u>424,089.78</u> | <u>429,636.50</u> |
| Total Cash | 2,005,413.65 | 2,773,721.10 |
| Less: Agency Funds per Schedule 3 | <u>(4,590.75)</u> | <u>(43,525.46)</u> |
| Total Reporting Entity (Excluding Agency Funds) | <u>\$ 2,000,822.90</u> | <u>\$ 2,730,195.64</u> |

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

CITY OF NEODESHA, KANSAS

Notes to Financial Statement
For the Year Ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City of Neodesha, Kansas (the City) is a municipal corporation governed by an elected three member Council. This financial statement presents the City of Neodesha, Kansas (the primary government), and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Discretely Presented Component Units

Component units should be included in the City's reporting entity because of the significance of their operational or financial relationships with the City. These component units should be reported separately to emphasize that they are legally separate from the City. Based upon the application of this criterion, the following is a brief review of potential component units:

Neodesha Public Library

The City of Neodesha Library Board operates the City's public library. Acquisition or disposition of real property or bond issuances must be approved by the City. Separate financial statements are not prepared.

The Housing Authority of the City of Neodesha, Kansas

The Housing Authority of the City of Neodesha, Kansas operates the City's housing projects with a March 31st year end. The Housing Authority can sue and be sued, and can buy, sell, or lease real property. Bond ordinances must be approved by the City. The Housing Authority's financial statements should be included with the City's financial statements. However, the statements are omitted in an apparent departure from generally accepted accounting principles. A copy of the financial statements can be obtained from the Housing Authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. 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 various funds are grouped by type in the financial statements. The following types of funds comprise the financial activities of the City of Neodesha, Kansas, for the year 2011:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City, other than proprietary fund activities are financed through revenues received by the General Fund.

Special Revenue Funds - These funds are used to account for revenues derived from specific taxes, governmental grants or other revenue sources (other than special assessments or major capital projects) which are restricted by law or administrative action to finance particular functions or activities of the City.

Debt Service Funds - The Bond and Interest Fund is used to account for the payment of principal and interest on the City's general obligation bonds, which are recorded in the general long-term debt group of accounts. Revenues for this purpose include ad valorem property taxes, special assessment taxes, and investment interest income.

Capital Project Funds - The Capital Project Funds account for capital improvements (except for those financed by proprietary funds), which are financed from the City's general obligation bond issues, special assessments, certain federal grants and other specific receipts.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the costs (expenses, including depreciation) 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. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), federal grants and other City funds.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds account for assets held by a governmental unit in a trustee capacity or as an agency for individuals, private organizations, other governmental units, and/or other funds. The funds include (a) Expendable Trust Funds, (b) Nonexpendable Trust Funds, and (c) Agency Funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Statutory Basis of Accounting

The statutory basis of accounting, as used in preparation of this statutory basis financial statement and schedules, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

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

Departures 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 non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statement.

Property Taxes

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

Reimbursed Expenses

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type), in each of the statements have not been presented since their inclusion would make the statements unduly complex and difficult to read.

Pension Plan

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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. Although directory rather than mandatory, the statutes provide for the following timetable in the adoption of the legal annual operating budget:

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

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. During 2011, the City amended its budget in the Recreation Fund and the 911 Emergency Equipment Fund.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of the individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the 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 a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds and the following special revenue fund:

- Tort Liability Fund
- Parking Lot Sinking Fund
- Capital Improvement Reserve Fund

In addition, an operating budget is not required for enterprise principal and interest funds and enterprise reserve funds.

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

Compliance with Kansas Statutes

Statement 1 and Schedule 1 are designed to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1 and Schedule 1 the City was in apparent compliance Kansas cash basis and budget laws.

3. DEPOSITS AND INVESTMENTS

K.S.A 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main branch or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the bank provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2011.

At year-end, the City's carrying amount of deposits was \$1,580,823.77 and the bank balance was \$1,926,923.25. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$900,009.58 was covered by FDIC insurance and \$1,026,913.67 was collateralized with pledged securities and a guaranty bond held by the pledging financial institutions' agents in the City's name.

4. OPERATING LEASES

The City has entered into an operating lease for a postage machine. Rent expense for the year ended December 31, 2011, was \$2,772.00. Under the current lease agreement, the future minimum rental payments are as follows:

| | |
|------|-------------|
| 2012 | \$ 2,772.00 |
| 2013 | 2,772.00 |
| 2014 | 693.00 |

The City has entered into an operating lease for a Konica copier. Rent expense for the year ended December 31, 2011, was \$5,364.00. Under the current lease agreement, the future minimum rental payments are as follows:

| | |
|------|-------------|
| 2012 | \$ 5,364.00 |
| 2013 | 3,576.00 |

The City has entered into an operating lease for a Bobcat mini excavator. Rent expense for the year ended December 31, 2011, was \$5,984.00. Under the current lease agreement, there are no future rental payments.

5. INDUSTRIAL REVENUE BONDS

The City has entered into various agreements to induce businesses to locate or expand operations in Neodesha, Kansas. In connection therewith, the City has issued industrial revenue bonds (IRB's) which require the businesses to make lease payments to trust accounts sufficient to pay debt service on the IRB's. The City is under no obligation to pay the IRB debt, which is to be paid from the lease payments made by the related businesses. At December 31, 2011, there were three industrial revenue bond issues with principal balances due totaling \$7,362,919.63.

6. CAPITAL LEASE OBLIGATIONS

The City entered into a capital lease agreement dated June 16, 2008, for the purchase of an Ambulance. The total cost was \$129,939.00. The lease calls for annual payments of \$28,067.27, including interest at 3.40% per annum, maturing June 16, 2012. Debt requirements are as follows:

| | |
|-------------------------------------|--------------|
| 2012 | \$ 28,067.27 |
| Total Net Minimum Lease Payments | 28,067.27 |
| Less: Imputed Interest | (925.36) |
| Net Present Value | 27,141.91 |
| Less: Current Maturities | (27,141.91) |
| Long-Term Capital Lease Obligations | \$ 0.00 |

6. CAPITAL LEASE OBLIGATIONS (Continued)

The City entered into a capital lease agreement dated December 17, 2009, for the purchase of a GMC Rescue Truck. The total cost was \$55,650.00. The lease calls for annual payments of \$19,660.00, including interest at 3.24% per annum, maturing October 16, 2012. Debt requirements are as follows:

| | |
|-------------------------------------|--------------------|
| 2012 | \$ 19,660.00 |
| Total Net Minimum Lease Payments | 19,660.00 |
| Less: Imputed Interest | <u>(618.64)</u> |
| Net Present Value | 19,041.36 |
| Less: Current Maturities | <u>(19,041.36)</u> |
| Long-Term Capital Lease Obligations | <u>\$ 0.00</u> |

The City entered into a capital lease agreement dated September 29, 2011, for the purchase of two Ford Dump Trucks. The total cost was \$100,000.00. The lease calls for annual payments of \$34,930.37, including interest at 2.310% per annum, maturing October 10, 2014. Debt requirements are as follows:

| | |
|-------------------------------------|---------------------|
| 2012 | \$ 34,930.37 |
| 2013 | 34,930.37 |
| 2014 | <u>34,930.37</u> |
| Total Net Minimum Lease Payments | 104,791.11 |
| Less: Imputed Interest | <u>(4,791.11)</u> |
| Net Present Value | 100,000.00 |
| Less: Current Maturities | <u>(32,487.47)</u> |
| Long-Term Capital Lease Obligations | <u>\$ 67,512.53</u> |

7. LONG-TERM LIABILITIES

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

| Issue | Interest Rates | Date of Issue | Original Amount of Issue | Date of Final Maturity | Balance Beginning of Year | Additions | Reductions/ Payments | Net Change | Balance End of Year | Interest Paid |
|---|----------------|--------------------|--------------------------|------------------------|---------------------------|---------------|----------------------|-------------|---------------------|---------------|
| General Obligation Bonds Paid with Utility Revenues | | | | | | | | | | |
| General Improvement Bonds, Series 2002 - A | 3.60% to 5.25% | February 15, 2002 | \$ 1,000,000.00 | October 1, 2017 | \$ 605,000.00 | - | \$ 75,000.00 | - | \$ 530,000.00 | \$ 26,620.00 |
| Bonds, Series 2008 - A | 3.00% to 4.35% | September 2, 2008 | 870,000.00 | October 1, 2023 | 780,000.00 | - | 50,000.00 | - | 730,000.00 | 30,615.00 |
| Bonds, Series 2009 - A | 1.70% to 5.10% | September 17, 2009 | 1,700,000.00 | October 1, 2019 | 1,600,000.00 | - | 160,000.00 | - | 1,440,000.00 | 65,092.50 |
| Kansas Revolving Loan Water 1684-01 | 2.32% | September 23, 2005 | 623,581.00 | March 1, 2027 | 217,300.26 | - | 34,708.06 | - | 182,592.20 | 5,363.04 |
| Capital Lease 2007 Refuge Truck | 4.87% | October 16, 2007 | 119,203.50 | October 16, 2011 | 25,016.97 | - | 25,016.97 | - | - | 1,131.97 |
| 2008 Ambulance | 3.40% | June 16, 2008 | 129,939.00 | June 16, 2012 | 53,393.79 | - | 26,251.88 | - | 27,141.91 | 1,815.39 |
| 2007 Bucket Truck | 2.95% | April 1, 2009 | 95,000.00 | October 15, 2011 | 32,161.80 | - | 32,161.80 | - | - | 968.56 |
| 1991 GMC Rescue Truck | 3.24% | December 17, 2009 | 55,650.00 | October 16, 2012 | 37,486.79 | - | 18,445.43 | - | 19,041.36 | 1,214.57 |
| 2 - 2011 Ford Dump Trucks | 2.31% | September 20, 2011 | 100,000.00 | October 10, 2014 | - | 100,000.00 | - | - | 100,000.00 | - |
| Total Contractual Indebtedness | | | | | 3,350,359.61 | 100,000.00 | 421,584.14 | | 3,028,775.47 | 132,821.03 |
| Vacation Pay | N/A | N/A | N/A | N/A | 57,560.23 | | | \$ (906.78) | 56,653.45 | N/A |
| Total Long-Term Liabilities | | | | | \$ 3,407,919.84 | \$ 100,000.00 | \$ 421,584.14 | \$ (906.78) | \$ 3,085,428.92 | \$ 132,821.03 |

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

| Principal Issue | 2012 | 2013 | 2014 | 2015 | 2016 | 2017-2021 | 2022-2026 | 2027 | Less Proceeds Not Drawn Yet | Total |
|---|---------------|---------------|---------------|---------------|---------------|-----------------|---------------|--------------|-----------------------------|-----------------|
| General Obligation Bonds Paid with Tax Levies | | | | | | | | | | |
| General Improvement Bonds, Series 2002 - A | \$ 80,000.00 | \$ 80,000.00 | \$ 85,000.00 | \$ 90,000.00 | \$ 95,000.00 | \$ 100,000.00 | \$ - | \$ - | \$ - | \$ 530,000.00 |
| Bonds, Series 2008 - A | 50,000.00 | 50,000.00 | 50,000.00 | 55,000.00 | 55,000.00 | 320,000.00 | 150,000.00 | - | - | 730,000.00 |
| Bonds, Series 2009 - A | 165,000.00 | 170,000.00 | 175,000.00 | 175,000.00 | 180,000.00 | 575,000.00 | - | - | - | 1,440,000.00 |
| Kansas Revolving Loan Water 1684-01 | 27,146.48 | 27,848.63 | 28,568.94 | 29,307.88 | 30,065.92 | 162,404.68 | 184,522.73 | 15,859.20 | (323,132.26) | 182,592.20 |
| Capital Lease 2008 Ambulance | 27,141.91 | - | - | - | - | - | - | - | - | 27,141.91 |
| 1991 GMC Rescue Truck | 19,041.36 | - | - | - | - | - | - | - | - | 19,041.36 |
| 2 - 2011 Ford Dump Trucks | 32,487.47 | 33,370.83 | 34,141.70 | - | - | - | - | - | - | 100,000.00 |
| Total Principal Payments Interest | 400,817.22 | 361,219.46 | 372,710.64 | 349,307.88 | 360,065.92 | 1,157,404.68 | 334,522.73 | 15,859.20 | (323,132.26) | 3,028,775.47 |
| General Obligation Bonds Paid with Tax Levies | | | | | | | | | | |
| General Improvement Bonds, Series 2002 - A | 23,620.00 | 20,300.00 | 16,860.00 | 13,120.00 | 9,070.00 | 4,700.00 | - | - | - | 87,670.00 |
| Bonds, Series 2008 - A | 29,155.00 | 27,490.00 | 25,740.00 | 23,990.00 | 22,065.00 | 75,112.50 | 9,788.50 | - | - | 213,341.00 |
| Bonds, Series 2009 - A | 61,332.50 | 56,547.50 | 50,852.50 | 44,202.50 | 36,765.00 | 58,295.00 | - | - | - | 307,995.00 |
| Kansas Revolving Loan Water 1684-01 | 12,924.62 | 12,222.47 | 11,502.16 | 10,763.22 | 10,005.18 | 37,950.80 | 15,832.74 | 254.19 | - | 111,455.38 |
| Capital Lease 2008 Ambulance | 925.36 | - | - | - | - | - | - | - | - | 925.36 |
| 1991 GMC Rescue Truck | 618.64 | - | - | - | - | - | - | - | - | 618.64 |
| 2 - 2011 Ford Dump Trucks | 2,442.90 | 1,559.54 | 788.67 | - | - | - | - | - | - | 4,791.11 |
| Total Interest Payments | 131,019.02 | 118,119.51 | 105,743.33 | 92,075.72 | 77,905.18 | 176,058.30 | 25,621.24 | 254.19 | - | 726,796.49 |
| Total Principal and Interest | \$ 531,836.24 | \$ 479,338.97 | \$ 478,453.97 | \$ 441,383.60 | \$ 437,971.10 | \$ 1,333,462.98 | \$ 360,143.97 | \$ 16,113.39 | \$ (323,132.26) | \$ 3,755,571.96 |

8. CAPITAL PROJECTS

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

| <u>PROJECT NAME</u> | <u>AUTHORIZATION</u> | <u>EXPENDITURES TO DATE</u> | <u>STATUS</u> |
|--|-------------------------------|---------------------------------|----------------------------|
| W Granby Business Park CDBG Economic Development Grant | \$ 3,204,433.00 585,000.00 | \$ 982,651.05 484,138.33 | In Progress In Progress |
| KDGP Housing Grant | 827,672.00 | 743,691.51 | Complete |
| CDBG Demolition Grant | 253,645.00 | 204,140.22 | Complete |

9. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Neodesha contributes to the Kansas Public Employees Retirement System (“KPERs”), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4902, 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, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% or 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 rates 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 by statute for calendar year 2011 was 7.74%. The City’s employer contributions to KPERs for the years ending December 31, 2011, 2010, and 2009, were \$147,996.82, \$134,667.35, and \$115,159.54, respectively, equal to the statutory required contribution for the years.

10. COMPENSATED ABSENCES

Regular employees earn and accumulate vacation leave as follows:

- After 1 full year of employment – 10 Days
- After 5 full years of employment – 12 Days
- After 10 full years of employment – 15 Days
- After 15 full years of employment – 20 Days
- After 20 full years of employment – 25 Days
- After 25 full years of employment – 30 Days

Vacation is not earned for partial years worked. Vacation days may be carried over at the discretion of the City Administrator if not used during the year earned.

Regular employees earn and accumulate sick leave from the beginning of employment at the rate of one day per month worked. Sick leave may be accumulated to a maximum without limit. Any unused sick leave at date of termination is lost. Employees employed prior to October 1985 will be paid for their unused sick leave upon retirement from the City only.

10. COMPENSATED ABSENCES (Continued)

The City determines a liability for compensated absences when the following conditions are met:

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

In accordance with the above criteria, the City has accrued a liability for vacation pay in Footnote 7, Long-Term Liabilities. The City has not accrued a liability for sick pay, which has been earned, but not taken by City employees, inasmuch as the amount cannot be reasonably estimated because the obligation to these rights does not vest.

11. RISK MANAGEMENT

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

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

12. INTERFUND TRANSFERS

Operating and residual transfers were as follows:

| <u>From Fund:</u> | <u>To Fund:</u> | <u>Statutory Authority</u> | <u>Amount:</u> |
|--------------------------|--------------------------|----------------------------|----------------|
| General | FEMA Project | K.S.A. 79-2934 | \$ 70,900.00 |
| KDOT Airport Grant | Gas Utility | K.S.A. 79-2934 | 13,100.00 |
| CDBG Demolition Grant | FEMA Project | K.S.A. 79-2934 | 37,492.16 |
| Electric Utility | General | K.S.A. 12-825d | 495,000.00 |
| Electric Utility | FEMA Project | K.S.A. 79-2934 | 50,782.72 |
| Electric Utility | Utility Reserve Fund | K.S.A. 12-825d | 12,932.00 |
| Electric Utility | Electric Utility Reserve | K.S.A. 12-825d | 37,064.00 |
| Electric Utility Reserve | General | K.S.A. 12-825d | 75,000.00 |
| Electric Utility Reserve | Gas Utility | K.S.A. 12-825d | 100,000.00 |
| Electric Utility Reserve | Sewer Utility | K.S.A. 12-825d | 100,000.00 |
| Gas Utility | General | K.S.A. 12-825d | 125,000.00 |
| Gas Utility | FEMA Project | K.S.A. 79-2934 | 15,000.00 |
| Gas Utility | Utility Reserve | K.S.A. 12-825d | 9,155.00 |
| Gas Utility | Gas Line Replacement | | |
| | Sinking | K.S.A. 12-825d | 5,846.00 |

12. INTERFUND TRANSFERS (Continued)

| <u>From Fund:</u> | <u>To Fund:</u> | <u>Statutory Authority</u> | <u>Amount:</u> |
|---------------------|------------------------------------|----------------------------|----------------|
| Gas Utility | KDGP Housing Development Grant | K.S.A. 12-825d | \$ 50,000.00 |
| Water Utility | Water Utility Bond and Interest | K.S.A. 12-825d | 101,620.00 |
| Water Utility | FEMA Project | K.S.A. 79-2934 | 23,000.00 |
| Water Utility | Water Utility Reserve | K.S.A. 12-825d | 5,185.00 |
| Water Utility | Utility Reserve | K.S.A. 12-825d | 1,783.00 |
| Sewer Utility | FEMA Project | K.S.A. 79-2934 | 55,000.00 |
| Sewer Utility | Utility Reserve | K.S.A. 12-825d | 655.00 |
| Sewer Utility | Sewer Utility Reserve | K.S.A. 12-825d | 1,676.00 |
| Solid Waste Utility | Solid Waste Utility Reserve | K.S.A. 12-825d | 1,387.00 |
| Storm Water Utility | Storm Water Utility Reserve | K.S.A. 12-825d | 214.00 |
| Utility Reserve | Electric Utility Reserve | K.S.A. 12-825d | 380,385.00 |
| Utility Reserve | Water Utility Reserve | K.S.A. 12-825d | 1,783.00 |
| Utility Reserve | Sewer Utility Reserve | K.S.A. 12-825d | 655.00 |
| Utility Reserve | Gas Line Replacement Sinking | K.S.A. 12-825d | 9,154.96 |

13. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the 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 these financial statements.

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.

14. OTHER COMMITMENTS

In December of 2009, the City of Neodesha signed a 10 year agreement with the Kansas Power Pool to purchase electricity on behalf of the City. Neodesha's resources from Nearman, GRDA, and SWPA were assigned to the Power Pool for this time period. Power is delivered to the points designated by the City or its agent.

In September of 2011, the City of Neodesha sent a letter to the Board of the Kansas Power Pool requesting to withdraw and terminate the contract earlier than the terms set out. The KPP Board accepted the letter and the City will be released from this contract as of September 1, 2013.

On April 8, 2009 the City of Neodesha withdrew from the Kansas Municipal Gas Agency and contracted with Constellation NewEnergy to provide natural gas purchasing services. Product is delivered to the City's town gate pipeline interconnect points or other interconnect points designated by the City. The contract was issued for 12 months and is self renewing for periods of 12 months unless cancelled with a 60 day written notice.

15. SUBSEQUENT EVENTS

On March 26, 2012, the City of Neodesha approved a contract to join other cities in Kansas forming the Energy Management Project #3, under the guidance of the Kansas Municipal Energy Agency (KMEA). Upon the City's release from KPP the City will purchase bridge energy until full power arrangements through EMP #3 can be established. The contract requires a three year notice to terminate.

SUPPLEMENTAL INFORMATION

Schedule 1

CITY OF NEODESHA, KANSAS
 Summary of Expenditures - Actual and Budget
 (Budgeted Funds Only)
 For the Year Ended December 31, 2011

| Funds | Certified Budget | Adjustments for Qualifying Budget Credits | Total Budget for Comparison | Expenditures Charged to Current Year Budget | Variance - Over (Under) |
|------------------------------------|------------------|---|-----------------------------|---|-------------------------|
| Governmental Type Funds: | | | | | |
| General | \$ 2,496,098.00 | \$ - | \$ 2,496,098.00 | \$ 2,328,355.12 | \$ (167,742.88) |
| Special Revenue Funds: | | | | | |
| Recreation | 1,000.00 | - | 1,000.00 | 515.21 | (484.79) |
| Industrial Development | 42,141.00 | - | 42,141.00 | 13,130.73 | (29,010.27) |
| Library | 61,660.00 | - | 61,660.00 | 52,470.95 | (9,189.05) |
| Airport | 7,900.00 | - | 7,900.00 | 5,232.46 | (2,667.54) |
| Special Highway | 150,000.00 | - | 150,000.00 | 146,633.27 | (3,366.73) |
| Special Parks and Recreation | 15,000.00 | - | 15,000.00 | 2,256.41 | (12,743.59) |
| 911 Emergency Equipment | 11,003.00 | - | 11,003.00 | 8,840.18 | (2,162.82) |
| Community Center Project | 5,000.00 | - | 5,000.00 | 3,677.37 | (1,322.63) |
| Debt Service Funds: | | | | | |
| Wilson Medical Center Bond Payment | 80,615.00 | - | 80,615.00 | 80,615.00 | - |
| Swimming Pool Bond and Interest | 240,000.00 | - | 240,000.00 | 225,092.50 | (14,907.50) |
| Proprietary Type Funds: | | | | | |
| Electric Utility | 4,404,403.00 | - | 4,404,403.00 | 4,199,169.75 | (205,233.25) |
| Gas Utility | 3,143,842.00 | - | 3,143,842.00 | 1,569,462.91 | (1,574,379.09) |
| Water Utility | 663,020.00 | - | 663,020.00 | 656,117.50 | (6,902.50) |
| Water Utility Bond and Interest | 101,620.00 | - | 101,620.00 | 101,620.00 | - |
| Sewer Utility | 496,040.00 | - | 496,040.00 | 459,832.20 | (36,207.80) |
| Solid Waste Utility | 190,272.00 | - | 190,272.00 | 173,372.52 | (16,899.48) |
| Storm Water Utility | 25,709.00 | - | 25,709.00 | 18,342.72 | (7,366.28) |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
GENERAL FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Current Year | | | |
|-----------------------------------|-------------------------|---------------|---------------|-------------------------------|
| | Prior Year Actual | Actual | Budget | Variance - Over (Under) |
| Cash Receipts | | | | |
| Taxes and Shared Revenue | | | | |
| Ad Valorem Property Tax | \$ 270,914.34 | \$ 270,079.95 | \$ 345,422.00 | \$ (75,342.05) |
| Delinquent Tax | 12,135.99 | 16,970.97 | - | 16,970.97 |
| Motor Vehicle Tax | 50,003.67 | 48,695.67 | 50,354.00 | (1,658.33) |
| Recreational Vehicle Tax | 1,025.54 | 982.25 | 1,080.00 | (97.75) |
| 16/20M Vehicle Tax | 371.04 | 345.66 | 371.00 | (25.34) |
| Sales Tax | 245,114.81 | 261,792.65 | 270,000.00 | (8,207.35) |
| Sales Tax-Wilson Co. Hospital | 245,114.71 | 261,792.59 | 270,000.00 | (8,207.41) |
| Weeds & Demolition Tax | 2,893.07 | 2,448.13 | - | 2,448.13 |
| Drug Control Tax | 9.49 | - | - | - |
| Local Alcoholic Liquor Tax | 8,535.30 | 7,555.34 | 7,100.00 | 455.34 |
| In Lieu of Taxes | 4,422.25 | 5,396.03 | 4,400.00 | 996.03 |
| Ambulance Tax Levy | 138,499.80 | 102,600.00 | 126,000.00 | (23,400.00) |
| Intergovernmental | | | | |
| Federal Grants - FEMA | - | 127,201.70 | - | 127,201.70 |
| Federal Grants - Click Step | 562.00 | 1,033.51 | - | 1,033.51 |
| Fines, Forfeitures, and Penalties | 40,736.85 | 47,211.10 | 38,000.00 | 9,211.10 |
| Charges for Services | | | | |
| Ambulance Fees | 149,831.41 | 158,053.79 | 160,000.00 | (1,946.21) |
| Fire Department Fees | 11,217.04 | 13,836.35 | 13,000.00 | 836.35 |
| Cemetery Fees | 8,525.00 | 9,275.00 | 6,500.00 | 2,775.00 |
| Utility Transfer Fees | 1,842.00 | 2,215.00 | 1,000.00 | 1,215.00 |
| Swimming Pool | 44,151.82 | 41,600.23 | 35,000.00 | 6,600.23 |
| Licenses and Permits | | | | |
| Dog Tags | 104.00 | 85.00 | - | 85.00 |
| Franchises & Licenses | 32,849.72 | 34,516.26 | 45,000.00 | (10,483.74) |
| Use of Money and Property | | | | |
| Interest Income | 12,786.81 | 10,903.05 | 21,000.00 | (10,096.95) |
| Oil Royalties | 16,067.08 | 25,433.71 | 12,000.00 | 13,433.71 |
| Rental Income | 2,200.00 | 3,135.00 | 2,400.00 | 735.00 |
| Sale of Property | - | 52,365.00 | - | 52,365.00 |
| Other Revenues | | | | |
| Miscellaneous | 10,490.72 | 13,286.09 | 25,000.00 | (11,713.91) |
| Reimbursed Expense | - | 22,968.11 | - | 22,968.11 |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
GENERAL FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-------------------------------|-------------------------|---------------------|------------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts (Continued) | | | | |
| Operating Transfers from: | | | | |
| Electric Utility Fund | \$ 475,000.00 | \$ 495,000.00 | \$ 350,000.00 | \$ 145,000.00 |
| Sewer Utility Fund | 250,000.00 | - | 50,000.00 | (50,000.00) |
| Gas Utility Fund | 125,000.00 | 125,000.00 | 400,000.00 | (275,000.00) |
| Electric Utility Reserve Fund | - | 75,000.00 | - | 75,000.00 |
| WCH Project Fund | 44,538.63 | - | - | - |
| KDOT Safe Routes Grant Fund | 27,101.25 | - | - | - |
| Total Cash Receipts | 2,232,044.34 | 2,236,778.14 | \$ 2,233,627.00 | \$ 3,151.14 |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| General Government | | | | |
| Administrative | 48,658.89 | 52,822.86 | \$ 82,100.00 | \$ (29,277.14) |
| Public Safety | | | | |
| Ambulance | 290,637.40 | 271,156.21 | 293,588.00 | (22,431.79) |
| Police | 409,044.02 | 385,419.93 | 455,728.00 | (70,308.07) |
| Fire | 179,870.00 | 221,621.01 | 239,158.00 | (17,536.99) |
| Municipal Court | 5,753.52 | 5,225.16 | 8,500.00 | (3,274.84) |
| Highways and Streets | | | | |
| Street Department | 177,170.05 | 186,438.59 | 206,424.00 | (19,985.41) |
| Culture and Recreation | | | | |
| Public Facilities | 288,427.34 | 281,750.91 | 315,850.00 | (34,099.09) |
| Swimming Pool | 102,719.93 | 81,791.49 | 142,900.00 | (61,108.51) |
| Service Improvements | 81,642.89 | 60,873.01 | 81,000.00 | (20,126.99) |
| Employee Benefits | 348,926.92 | 400,836.05 | 326,250.00 | 74,586.05 |
| Wilson Medical Center | | | | |
| Sales Tax | 245,114.75 | 261,792.63 | 270,000.00 | (8,207.37) |
| Debt Service | | | | |
| Lease Payments | 47,727.27 | 47,727.27 | 74,600.00 | (26,872.73) |

See accompanying independent auditors' report

**CITY OF NEODESHA, KANSAS
GENERAL FUND**

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|---|-------------------------|---------------------|------------------------|-------------------------------|
| | | Actual | Budget | |
| Expenditures and Transfers Subject to Budget (Continued) | | | | |
| Operating Transfers to: | | | | |
| FEMA Project Fund | \$ - | \$ 70,900.00 | \$ - | \$ 70,900.00 |
| Capital Improvements Reserve Fund | 177,650.00 | - | - | - |
| Total Expenditures and Transfers Subject to Budget | <u>2,403,342.98</u> | <u>2,328,355.12</u> | <u>\$ 2,496,098.00</u> | <u>\$ (167,742.88)</u> |
| Receipts Over(Under) Expenditures | (171,298.64) | (91,576.98) | | |
| Unencumbered Cash, Beginning | <u>283,853.85</u> | <u>112,555.21</u> | | |
| Unencumbered Cash, Ending | <u>\$ 112,555.21</u> | <u>\$ 20,978.23</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
RECREATION FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|------------------|--------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes and Shared Revenue | | | | |
| Delinquent Tax | \$ 335.16 | \$ 70.87 | \$ 45.00 | \$ 25.87 |
| Total Cash Receipts | <u>335.16</u> | <u>70.87</u> | <u>\$ 45.00</u> | <u>\$ 25.87</u> |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| General Government | | | | |
| Contractual Services | 687.12 | 515.21 | \$ 1,000.00 | \$ (484.79) |
| Total Expenditures and Transfers | | | | |
| Subject to Budget | <u>687.12</u> | <u>515.21</u> | <u>\$ 1,000.00</u> | <u>\$ (484.79)</u> |
| Receipts Over(Under) Expenditures | (351.96) | (444.34) | | |
| Unencumbered Cash, Beginning | <u>1,306.55</u> | <u>954.59</u> | | |
| Unencumbered Cash, Ending | <u>\$ 954.59</u> | <u>\$ 510.25</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
INDUSTRIAL TAX FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Current Year | | | |
|---|-------------------------|------------------|---------------------|-------------------------------|
| | Prior Year Actual | Actual | Budget | Variance - Over (Under) |
| Cash Receipts | | | | |
| Taxes and Shared Revenue | | | | |
| Ad Valorem Property Tax | \$ 8,384.78 | \$ 8,356.61 | \$ 10,685.00 | \$ (2,328.39) |
| Delinquent Tax | 383.72 | 510.53 | - | 510.53 |
| Motor Vehicle Tax | 1,502.47 | 1,494.96 | 1,558.00 | (63.04) |
| Recreational Vehicle Tax | 30.82 | 30.24 | 33.00 | (2.76) |
| 16/20M Vehicle Tax | 11.33 | 10.35 | 12.00 | (1.65) |
| In Lieu of Taxes | 136.86 | 167.02 | - | 167.02 |
| Use of Money and Property | | | | |
| Farm Income | 1,170.00 | 2,470.00 | 1,820.00 | 650.00 |
| Total Cash Receipts | 11,619.98 | 13,039.71 | \$ 14,108.00 | \$ (1,068.29) |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| General Government | | | | |
| Contractual Services | 548.87 | 544.53 | \$ - | \$ 544.53 |
| Industrial Promotion | 1,695.53 | 9,362.20 | 20,651.00 | (11,288.80) |
| Taxes | 1,996.82 | 2,143.04 | 1,940.00 | 203.04 |
| Appropriations to | | | | |
| Industrial Development | | | | |
| Commission | 160.31 | 1,080.96 | 19,550.00 | (18,469.04) |
| Total Expenditures and Transfers | | | | |
| Subject to Budget | 4,401.53 | 13,130.73 | \$ 42,141.00 | \$ (29,010.27) |
| Receipts Over(Under) Expenditures | 7,218.45 | (91.02) | | |
| Unencumbered Cash, Beginning | 33,631.76 | 40,850.21 | | |
| Unencumbered Cash, Ending | \$ 40,850.21 | \$ 40,759.19 | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
LIBRARY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Current Year | | | |
|---|-------------------------|--------------------|---------------------|-------------------------------|
| | Prior Year Actual | Actual | Budget | Variance - Over (Under) |
| Cash Receipts | | | | |
| Taxes and Shared Revenue | | | | |
| Ad Valorem Property Tax | \$ 41,907.11 | \$ 41,758.37 | \$ 53,426.00 | \$ (11,667.63) |
| Delinquent Tax | 1,918.12 | 2,548.52 | - | 2,548.52 |
| Motor Vehicle Tax | 7,509.51 | 7,471.83 | 7,787.00 | (315.17) |
| Recreational Vehicle Tax | 154.08 | 151.18 | 167.00 | (15.82) |
| 16/20M Vehicle Tax | 56.61 | 51.68 | 58.00 | (6.32) |
| In Lieu of Taxes | 684.03 | 834.56 | - | 834.56 |
| Total Cash Receipts | <u>52,229.46</u> | <u>52,816.14</u> | <u>\$ 61,438.00</u> | <u>\$ (8,621.86)</u> |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| Appropriation to Library Board | 54,600.70 | 52,470.95 | \$ 61,660.00 | \$ (9,189.05) |
| Total Expenditures and Transfers | <u>54,600.70</u> | <u>52,470.95</u> | <u>\$ 61,660.00</u> | <u>\$ (9,189.05)</u> |
| Receipts Over(Under) Expenditures | (2,371.24) | 345.19 | | |
| Unencumbered Cash, Beginning | 4,791.59 | 2,420.35 | | |
| Unencumbered Cash, Ending | <u>\$ 2,420.35</u> | <u>\$ 2,765.54</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
AIRPORT FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|---|-------------------------|--------------------|--------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Use of Money and Property | | | | |
| Rental Income | \$ 500.00 | \$ - | \$ - | \$ - |
| Farm Income | 2,610.00 | 2,610.00 | 2,610.00 | - |
| Hanger Rental | 1,800.00 | 3,160.00 | 2,100.00 | 1,060.00 |
| Total Cash Receipts | <u>4,910.00</u> | <u>5,770.00</u> | <u>\$ 4,710.00</u> | <u>\$ 1,060.00</u> |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| General Government | | | | |
| Contractual Services | 2,804.00 | 2,660.00 | \$ 4,000.00 | \$ (1,340.00) |
| Commodities | 3,102.28 | 2,572.46 | 3,900.00 | (1,327.54) |
| Total Expenditures and Transfers | | | | |
| Subject to Budget | <u>5,906.28</u> | <u>5,232.46</u> | <u>\$ 7,900.00</u> | <u>\$ (2,667.54)</u> |
| Receipts Over(Under) Expenditures | (996.28) | 537.54 | | |
| Unencumbered Cash, Beginning | <u>4,573.64</u> | <u>3,577.36</u> | | |
| Unencumbered Cash, Ending | <u>\$ 3,577.36</u> | <u>\$ 4,114.90</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
TORT LIABILITY FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Actual |
|-----------------------------------|-------------------------|--------------|
| Cash Receipts | | |
| Other Revenues | | |
| Miscellaneous | \$ - | \$ - |
| Total Cash Receipts | - | - |
| Expenditures and Transfers | | |
| General Government | | |
| Contractual Services | - | - |
| Total Expenditures and Transfers | - | - |
| Receipts Over(Under) Expenditures | - | - |
| Unencumbered Cash, Beginning | 47,815.75 | 47,815.75 |
| Unencumbered Cash, Ending | \$ 47,815.75 | \$ 47,815.75 |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
SPECIAL HIGHWAY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|----------------------|----------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes and Shared Revenue | | | | |
| Special Highway Tax | \$ 69,814.12 | \$ 65,929.71 | \$ 72,560.00 | \$ (6,630.29) |
| Total Cash Receipts | <u>69,814.12</u> | <u>65,929.71</u> | <u>\$ 72,560.00</u> | <u>\$ (6,630.29)</u> |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| Highways and Streets | | | | |
| Contractual Services | 9,082.00 | 146,633.27 | \$ 150,000.00 | \$ (3,366.73) |
| Total Expenditures and Transfers | | | | |
| Subject to Budget | <u>9,082.00</u> | <u>146,633.27</u> | <u>\$ 150,000.00</u> | <u>\$ (3,366.73)</u> |
| Receipts Over(Under) Expenditures | 60,732.12 | (80,703.56) | | |
| Unencumbered Cash, Beginning | <u>147,480.64</u> | <u>208,212.76</u> | | |
| Unencumbered Cash, Ending | <u>\$ 208,212.76</u> | <u>\$ 127,509.20</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
SPECIAL PARKS AND RECREATION FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|---------------------|---------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes and Shared Revenue | | | | |
| Local Alcoholic Liquor Tax | \$ 8,535.27 | \$ 7,555.32 | \$ 7,100.00 | \$ 455.32 |
| Total Cash Receipts | <u>8,535.27</u> | <u>7,555.32</u> | <u>\$ 7,100.00</u> | <u>\$ 455.32</u> |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| Culture and Recreation | | | | |
| Commodities | 7,636.94 | 2,256.41 | \$ 15,000.00 | \$ (12,743.59) |
| Capital Outlay | 12,397.88 | - | - | - |
| Total Expenditures and Transfers | | | | |
| Subject to Budget | <u>20,034.82</u> | <u>2,256.41</u> | <u>\$ 15,000.00</u> | <u>\$ (12,743.59)</u> |
| Receipts Over(Under) Expenditures | (11,499.55) | 5,298.91 | | |
| Unencumbered Cash, Beginning | <u>22,968.31</u> | <u>11,468.76</u> | | |
| Unencumbered Cash, Ending | <u>\$ 11,468.76</u> | <u>\$ 16,767.67</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
911 EMERGENCY EQUIPMENT FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|--------------------|---------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes and Shared Revenues | | | | |
| Collection from 911 Tax | \$ 6,448.16 | \$ 6,749.74 | \$ 6,500.00 | \$ 249.74 |
| Total Cash Receipts | <u>6,448.16</u> | <u>6,749.74</u> | <u>\$ 6,500.00</u> | <u>\$ 249.74</u> |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| General Government | | | | |
| 911 Phone Charges | 2,943.32 | 8,840.18 | \$ 5,000.00 | \$ 3,840.18 |
| Capital Outlay | - | - | 6,003.00 | (6,003.00) |
| Total Expenditures and Transfers | | | | |
| Subject to Budget | <u>2,943.32</u> | <u>8,840.18</u> | <u>\$ 11,003.00</u> | <u>\$ (2,162.82)</u> |
| Receipts Over(Under) Expenditures | 3,504.84 | (2,090.44) | | |
| Unencumbered Cash, Beginning | <u>998.33</u> | <u>4,503.17</u> | | |
| Unencumbered Cash, Ending | <u>\$ 4,503.17</u> | <u>\$ 2,412.73</u> | | |

See accompanying independent auditors' reports

CITY OF NEODESHA, KANSAS
COMMUNITY CENTER PROJECT FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|-----------------|--------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Use of Money and Property | | | | |
| Rental Income | \$ 4,215.00 | \$ 1,805.00 | \$ 4,500.00 | \$ (2,695.00) |
| Total Cash Receipts | <u>4,215.00</u> | <u>1,805.00</u> | <u>\$ 4,500.00</u> | <u>\$ (2,695.00)</u> |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| Culture and Recreation | | | | |
| Commodities | 5,230.83 | 3,677.37 | \$ 5,000.00 | \$ (1,322.63) |
| Total Expenditures and Transfers | <u>5,230.83</u> | <u>3,677.37</u> | <u>\$ 5,000.00</u> | <u>\$ (1,322.63)</u> |
| Receipts Over(Under) Expenditures | (1,015.83) | (1,872.37) | | |
| Unencumbered Cash, Beginning | <u>2,888.20</u> | <u>1,872.37</u> | | |
| Unencumbered Cash, Ending | <u>\$ 1,872.37</u> | <u>\$ -</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
PARKING LOT SINKING FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|--|-------------------------|---------------------------|
| Cash Receipts | | |
| Operating Transfer from Electric Utility Fund | \$ - | \$ - |
| Total Cash Receipts | - | - |
| Expenditures and Transfers | | |
| Improvements | | |
| Capital Outlay | - | 30,000.00 |
| Total Expenditures and Transfers | - | 30,000.00 |
| Receipts Over(Under) Expenditures | - | (30,000.00) |
| Unencumbered Cash, Beginning | 30,000.00 | 30,000.00 |
| Unencumbered Cash, Ending | \$ 30,000.00 | \$ - |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
KDOT SAFE ROUTES GRANT FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|--|-------------------------|---------------------------|
| Cash Receipts | | |
| Operating Transfers from Special Highway Fund | \$ - | \$ - |
| Total Cash Receipts | - | - |
| Expenditures and Transfers | | |
| Improvements | | |
| Contractual | 960.00 | - |
| Capital Outlay | - | - |
| Operating Transfers to General Fund | 27,101.25 | - |
| Total Expenditures and Transfers | 28,061.25 | - |
| Receipts Over(Under) Expenditures | (28,061.25) | - |
| Unencumbered Cash, Beginning | 28,061.25 | - |
| Unencumbered Cash, Ending | \$ - | \$ - |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
KDOT AIRPORT GRANT FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Intergovernmental | | |
| State Grants | \$ 7,200.00 | \$ 9,900.00 |
| Operating Transfers from | | |
| Gas Utility Fund | 15,000.00 | - |
| Total Cash Receipts | 22,200.00 | 9,900.00 |
| Expenditures and Transfers | | |
| Improvements | | |
| Contractual Services | 11,000.00 | - |
| Commodities | 8,000.00 | - |
| Operating Transfers to | | |
| Gas Utility Fund | - | 13,100.00 |
| Total Expenditures and Transfers | 19,000.00 | 13,100.00 |
| Receipts Over(Under) Expenditures | 3,200.00 | (3,200.00) |
| Unencumbered Cash, Beginning | - | 3,200.00 |
| Unencumbered Cash, Ending | \$ 3,200.00 | \$ - |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
KDGP HOUSING DEVELOPMENT GRANT FUND
 Schedule of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Intergovernmental | | |
| State Grant - KHRC | \$ 102,071.33 | \$ 532,521.09 |
| Operating Transfers from: | | |
| Electric Utility Fund | 50,000.00 | - |
| Gas Utility Fund | - | 50,000.00 |
| Total Cash Receipts | <u>152,071.33</u> | <u>582,521.09</u> |
| Expenditures and Transfers | | |
| Improvements | | |
| Administration | 65,649.00 | 158,304.34 |
| Capital Outlay | 62,714.97 | 350,108.57 |
| Total Expenditures and Transfers | <u>128,363.97</u> | <u>508,412.91</u> |
| Receipts Over(Under) Expenditures | 23,707.36 | 74,108.18 |
| Unencumbered Cash, Beginning | <u>54,635.76</u> | <u>78,343.12</u> |
| Unencumbered Cash, Ending | <u>\$ 78,343.12</u> | <u>\$ 152,451.30</u> |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
FLOOD HOUSING BUYOUT FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|---|-------------------------|---------------------------|
| Cash Receipts | | |
| Taxes and Shared Revenue | | |
| Federal Grants - HMGP | \$ - | \$ - |
| Total Cash Receipts | - | - |
| Expenditures and Transfers | | |
| Operating Transfers to Electric Utility Fund | 125,000.00 | - |
| Total Expenditures and Transfers | 125,000.00 | - |
| Receipts Over(Under) Expenditures | (125,000.00) | - |
| Unencumbered Cash, Beginning | 125,000.00 | - |
| Unencumbered Cash, Ending | \$ - | \$ - |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
CDBG DEMOLITION GRANT FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Intergovernmental | | |
| Federal Grants - CDBG | \$ 72,101.00 | \$ 27,628.00 |
| Other Revenues | | |
| Miscellaneous | - | 2,150.00 |
| Total Cash Receipts | <u>72,101.00</u> | <u>29,778.00</u> |
| Expenditures and Transfers | | |
| Improvements | | |
| Administrative | 5,376.00 | 15,032.14 |
| Commodities | 136,184.45 | 22,858.00 |
| Capital Outlay | - | 18,910.25 |
| Operating Transfers to: | | |
| FEMA Project Fund | - | 37,492.16 |
| Gas Line Replacement | | |
| Sinking Fund | <u>62,579.77</u> | <u>-</u> |
| Total Expenditures and Transfers | <u>204,140.22</u> | <u>94,292.55</u> |
| Receipts Over(Under) Expenditures | (132,039.22) | (64,514.55) |
| Unencumbered Cash, Beginning | <u>196,553.77</u> | <u>64,514.55</u> |
| Unencumbered Cash, Ending | <u>\$ 64,514.55</u> | <u>\$ -</u> |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
CDBG ECONOMIC DEVELOPMENT GRANT FUND
 Schedule of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Intergovernmental | | |
| Federal Grants - CDBG | \$ 385,750.00 | \$ 4,250.00 |
| Use of Money and Property | | |
| Revolving Loan Payments | 11,785.02 | 43,053.31 |
| Total Cash Receipts | 397,535.02 | 47,303.31 |
| Expenditures and Transfers | | |
| Administration | 24,485.02 | 47,303.31 |
| Economic Development Loans | 373,000.00 | - |
| Total Expenditures and Transfers | 397,485.02 | 47,303.31 |
| Receipts Over(Under) Expenditures | 50.00 | - |
| Unencumbered Cash, Beginning | - | 50.00 |
| Unencumbered Cash, Ending | \$ 50.00 | \$ 50.00 |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
FEMA PROJECT FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Intergovernmental | | |
| Federal Grants - FEMA | \$ - | \$ 1,705,985.04 |
| State Grants - FEMA | - | 257,738.41 |
| Use of Money and Property | | |
| Lease Proceeds | - | 100,000.00 |
| Other Revenues | | |
| Miscellaneous | - | 44,137.50 |
| Operating Transfers from: | | |
| General Fund | - | 70,900.00 |
| Electric Utility Fund | - | 50,782.72 |
| Gas Utility Fund | - | 15,000.00 |
| Sewer Utility Fund | - | 55,000.00 |
| Water Utility Fund | - | 23,000.00 |
| CDBG Demolition Grant Fund | - | 37,492.16 |
| Total Cash Receipts | - | 2,360,035.83 |
| Expenditures and Transfers | | |
| Improvements | | |
| Capital Outlay | - | 2,360,035.83 |
| Total Expenditures and Transfers | - | 2,360,035.83 |
| Receipts Over(Under) Expenditures | - | - |
| Unencumbered Cash, Beginning | - | - |
| Unencumbered Cash, Ending | \$ - | \$ - |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
CAPITAL IMPROVEMENTS RESERVE FUND
 Schedule of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Operating Transfers from: | | |
| General Fund | \$ 177,650.00 | \$ - |
| Gas Line Replacement | | |
| Grant Fund | 19,529.86 | - |
| Electric Utility Fund | 23,375.00 | - |
| Gas Utility Fund | 36,875.00 | - |
| Water Utility Fund | 22,050.00 | - |
| Solid Waste Utility Fund | 2,200.00 | - |
| Total Cash Receipts | <u>281,679.86</u> | <u>-</u> |
| Expenditures and Transfers | | |
| Improvements | | |
| Capital Outlay | <u>106,446.61</u> | <u>176,352.72</u> |
| Total Expenditures and Transfers | <u>106,446.61</u> | <u>176,352.72</u> |
| Receipts Over(Under) Expenditures | 175,233.25 | (176,352.72) |
| Unencumbered Cash, Beginning | <u>13,355.11</u> | <u>188,588.36</u> |
| Unencumbered Cash, Ending | <u>\$ 188,588.36</u> | <u>\$ 12,235.64</u> |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
WILSON MEDICAL CENTER BOND PAYMENT FUND
Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|------------------|---------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes and Shared Revenue | | | | |
| Special Assessment | \$ 76,965.00 | \$ 81,077.50 | \$ 80,615.00 | \$ 462.50 |
| Total Cash Receipts | <u>76,965.00</u> | <u>81,077.50</u> | <u>\$ 80,615.00</u> | <u>\$ 462.50</u> |
| Expenditures and Transfers | | | | |
| Debt Service | | | | |
| Principal | 45,000.00 | 50,000.00 | \$ 50,000.00 | \$ - |
| Interest | 31,965.00 | 30,615.00 | 30,615.00 | - |
| Total Expenditures and Transfers | <u>76,965.00</u> | <u>80,615.00</u> | <u>\$ 80,615.00</u> | <u>\$ -</u> |
| Receipts Over(Under) Expenditures | - | 462.50 | | |
| Unencumbered Cash, Beginning | - | - | | |
| Unencumbered Cash, Ending | <u>\$ -</u> | <u>\$ 462.50</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
SWIMMING POOL BOND AND INTEREST FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|---|-------------------------|-------------------|----------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes and Shared Revenue | | | | |
| Sales Tax | \$ 300,361.13 | \$ 261,792.58 | \$ 260,000.00 | \$ 1,792.58 |
| Intergovernmental | | | | |
| Federal Subsidy | 24,286.48 | 22,782.36 | - | 22,782.36 |
| Total Cash Receipts | 324,647.61 | 284,574.94 | \$ 260,000.00 | \$ - |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| Debt Service | | | | |
| Principal | 100,000.00 | 160,000.00 | \$ 240,000.00 | \$ (80,000.00) |
| Interest | 69,761.06 | 65,092.50 | - | 65,092.50 |
| Operating Transfers to | | | | |
| Swimming Pool Project Fund | 39,555.75 | - | - | - |
| Total Expenditures and Transfers | | | | |
| Subject to Budget | 209,316.81 | 225,092.50 | \$ 240,000.00 | \$ (14,907.50) |
| Receipts Over(Under) Expenditures | 115,330.80 | 59,482.44 | | |
| Unencumbered Cash, Beginning | - | 115,330.80 | | |
| Unencumbered Cash, Ending | \$ 115,330.80 | \$ 174,813.24 | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
WCH PROJECT FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|---------------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Use of Money and Property | | |
| Interest Income | \$ - | \$ - |
| Total Cash Receipts | - | - |
| Expenditures and Transfers | | |
| Operating Transfer to General Fund | 44,538.63 | - |
| Total Expenditures and Transfers | 44,538.63 | - |
| Receipts Over(Under) Expenditures | (44,538.63) | - |
| Unencumbered Cash, Beginning | 44,538.63 | - |
| Unencumbered Cash, Ending | \$ - | \$ - |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
GAS LINE REPLACEMENT GRANT FUND
 Schedule of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Intergovernmental | | |
| Federal Grants - CSBG | \$ 46,333.00 | \$ - |
| Total Cash Receipts | 46,333.00 | - |
| Expenditures and Transfers | | |
| Improvements | | |
| Administration | 26,728.78 | - |
| Capital Outlay | 19,720.88 | - |
| Operating Transfers to: | | |
| Capital Improvement | | |
| Project Fund | 19,529.86 | - |
| Water Utility Fund | 50,000.00 | - |
| Sewer Utility Fund | 50,000.00 | - |
| Total Expenditures and Transfers | 165,979.52 | - |
| Receipts Over(Under) Expenditures | (119,646.52) | - |
| Unencumbered Cash, Beginning | 119,646.52 | - |
| Unencumbered Cash, Ending | \$ - | \$ - |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
SWIMMING POOL PROJECT FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|---|-------------------------|---------------------------|
| Cash Receipts | | |
| Intergovernmental | | |
| Federal Grants - FEMA | \$ 15,899.97 | \$ - |
| State Grants - FEMA | 2,092.10 | - |
| Other Revenues | | |
| Donations | 278,232.58 | - |
| Operating Transfers from Swimming Pool Bond and Interest Fund | 39,555.75 | - |
| Total Cash Receipts | 335,780.40 | - |
| Expenditures and Transfers | | |
| Improvements | | |
| Contractual Services | 45,501.35 | - |
| Capital Outlay | 1,063,485.47 | - |
| Total Expenditures and Transfers | 1,108,986.82 | - |
| Receipts Over(Under) Expenditures | (773,206.42) | - |
| Unencumbered Cash, Beginning | 773,206.42 | - |
| Unencumbered Cash, Ending | \$ - | \$ - |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
W GRANBY BUSINESS PARK FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Other Revenue | | |
| Miscellaneous | \$ - | \$ - |
| Total Cash Receipts | - | - |
| Expenditures and Transfers | | |
| General Government | | |
| Administration | 19,263.01 | - |
| Distribution | 757.05 | - |
| Production | 4,905.00 | - |
| Highways and Streets | | |
| Street Department | 2,117.00 | 88,350.05 |
| Total Expenditures and Transfers | 27,042.06 | 88,350.05 |
| Receipts Over(Under) Expenditures | (27,042.06) | (88,350.05) |
| Unencumbered Cash, Beginning | 121,317.31 | 94,275.25 |
| Unencumbered Cash, Ending | \$ 94,275.25 | \$ 5,925.20 |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
ELECTRIC UTILITY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|---|-------------------------|---------------------|------------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Charges for Services | | | | |
| Electric Sales | \$ 4,133,842.31 | \$ 4,090,571.57 | \$ 4,300,000.00 | \$ (209,428.43) |
| Connection Fees | 15,916.83 | 14,671.81 | - | 14,671.81 |
| Penalties | 26,856.87 | 25,700.87 | - | 25,700.87 |
| Use of Money and Property | | | | |
| Interest Income | 754.84 | 685.81 | - | 685.81 |
| Sale of Assets | - | 9,530.00 | - | 9,530.00 |
| Other Revenues | | | | |
| Miscellaneous | 35,145.97 | 13,458.40 | - | 13,458.40 |
| Reimbursed Expense | 110,749.00 | 111,928.38 | - | 111,928.38 |
| Operating Transfers from Flood Housing Buyout Fund | 125,000.00 | - | - | - |
| Total Cash Receipts | 4,448,265.82 | 4,266,546.84 | \$ 4,300,000.00 | \$ (33,453.16) |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| Administration | 261,327.50 | 240,652.06 | \$ 279,451.00 | \$ (38,798.94) |
| Distribution | 459,518.17 | 429,928.54 | 464,732.00 | (34,803.46) |
| Production | 2,817,438.33 | 2,844,055.33 | 3,127,500.00 | (283,444.67) |
| Capital Outlay | - | 55,624.74 | 109,609.00 | (53,984.26) |
| Debt Service | | | | |
| Capital Lease Payments | 33,110.57 | 33,130.36 | 33,111.00 | 19.36 |
| Operating Transfers to: | | | | |
| General Fund | 475,000.00 | 495,000.00 | 350,000.00 | 145,000.00 |
| Capital Improvements | | | | |
| Reserve Fund | 23,375.00 | - | - | - |
| FEMA Project Fund | - | 50,782.72 | - | 50,782.72 |
| Utility Reserve Fund | 509,639.21 | 12,932.00 | - | 12,932.00 |
| Electric Utility Reserve Fund | - | 37,064.00 | 40,000.00 | (2,936.00) |
| KDGP Housing Development Fund | 50,000.00 | - | - | - |
| Total Expenditures and Transfers Subject to Budget | 4,629,408.78 | 4,199,169.75 | \$ 4,404,403.00 | \$ (205,233.25) |
| Receipts Over(Under) Expenditures | (181,142.96) | 67,377.09 | | |
| Unencumbered Cash, Beginning | 195,399.29 | 14,256.33 | | |
| Unencumbered Cash, Ending | <u>\$ 14,256.33</u> | <u>\$ 81,633.42</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
ELECTRIC UTILITY RESERVE FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Operating Transfers from: | | |
| Electric Utility Fund | \$ - | \$ 37,064.00 |
| Utility Reserve Fund | - | 380,385.00 |
| Total Cash Receipts | - | 417,449.00 |
| Expenditures and Transfers | | |
| Operating Transfers to: | | |
| General Fund | - | 75,000.00 |
| Gas Utility Fund | - | 100,000.00 |
| Sewer Utility Fund | - | 100,000.00 |
| Total Expenditures | - | 275,000.00 |
| Receipts Over(Under) Expenditures | - | 142,449.00 |
| Unencumbered Cash, Beginning | - | - |
| Unencumbered Cash, Ending | \$ - | \$ 142,449.00 |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
GAS UTILITY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|---|-------------------------|---------------------|------------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Charges for Services | | | | |
| Customer Sales | \$ 1,445,190.55 | \$ 1,409,233.16 | \$ 3,000,000.00 | \$ (1,590,766.84) |
| Connection Fees | 8,915.77 | 9,739.11 | - | 9,739.11 |
| Penalties | 16,674.38 | 22,062.35 | - | 22,062.35 |
| Use of Money and Property | | | | |
| Interest Income | 322.25 | 868.74 | - | 868.74 |
| Other Revenues | | | | |
| Miscellaneous | 153.01 | 613.27 | - | 613.27 |
| Operating Transfers from: | | | | |
| KDOT Airport Grant Fund | - | 13,100.00 | - | 13,100.00 |
| Electric Utility Reserve Fund | - | 100,000.00 | - | 100,000.00 |
| Gas Line Replacement Sinking Fund | 90,000.00 | - | - | - |
| Total Cash Receipts | 1,561,255.96 | 1,555,616.63 | \$ 3,000,000.00 | \$ (1,444,383.37) |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| Administration | 247,147.80 | 247,708.98 | \$ 279,451.00 | \$ (31,742.02) |
| Distribution | 171,164.23 | 211,332.28 | 215,116.00 | (3,783.72) |
| Production | 1,065,181.21 | 905,420.65 | 2,200,000.00 | (1,294,579.35) |
| Capital Outlay | - | - | 19,275.00 | (19,275.00) |
| Operating Transfers to: | | | | |
| General Fund | 125,000.00 | 125,000.00 | 400,000.00 | (275,000.00) |
| FEMA Project Fund | - | 15,000.00 | - | 15,000.00 |
| Utility Reserve Fund | 14,513.00 | 9,155.00 | - | 9,155.00 |
| Gas Line Replacement Sinking Fund | - | 5,846.00 | 30,000.00 | (24,154.00) |
| KDGP Housing Development Grant Fund | - | 50,000.00 | - | 50,000.00 |
| Capital Improvements | | | | |
| Reserve Fund | 36,875.00 | - | - | - |
| KDOT Airport Grant Fund | 15,000.00 | - | - | - |
| Total Expenditures and Transfers Subject to Budget | 1,674,881.24 | 1,569,462.91 | \$ 3,143,842.00 | \$ (1,574,379.09) |
| Receipts Over(Under) Expenditures | (113,625.28) | (13,846.28) | | |
| Unencumbered Cash, Beginning | 143,783.41 | 30,158.13 | | |
| Unencumbered Cash, Ending | <u>\$ 30,158.13</u> | <u>\$ 16,311.85</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
GAS LINE REPLACEMENT SINKING FUND
 Schedule of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Operating Transfers from: | | |
| CDBG Demolition Grant Fund | \$ 62,579.77 | \$ - |
| Gas Utility Fund | - | 5,846.00 |
| Utility Reserve Fund | - | 9,154.96 |
| | 62,579.77 | 15,000.96 |
| Total Cash Receipts | 62,579.77 | 15,000.96 |
| Expenditures and Transfers | | |
| Operating Transfers to | | |
| Gas Utility Fund | 90,000.00 | - |
| | 90,000.00 | - |
| Total Expenditures | 90,000.00 | - |
| Receipts Over(Under) Expenditures | (27,420.23) | 15,000.96 |
| Unencumbered Cash, Beginning | 31,700.00 | 4,279.77 |
| Unencumbered Cash, Ending | \$ 4,279.77 | \$ 19,280.73 |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
WATER UTILITY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|---|-------------------------|---------------------|----------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Charges for Services | | | | |
| Customer Sales | \$ 581,305.75 | \$ 585,571.71 | \$ 625,000.00 | \$ (39,428.29) |
| Connection Fee | 9,000.00 | 9,642.74 | - | 9,642.74 |
| Penalties | 10,901.89 | 10,969.96 | - | 10,969.96 |
| Intergovernmental | | | | |
| Federal Grants | - | 9,576.00 | - | 9,576.00 |
| Use of Money and Property | | | | |
| Interest Income | 306.79 | 499.49 | - | 499.49 |
| Other Revenues | | | | |
| Miscellaneous | 256.65 | 356.83 | - | 356.83 |
| Operating Transfer from Gas Line Replacement Sinking Fund | 50,000.00 | - | - | - |
| Total Cash Receipts | 651,771.08 | 616,616.73 | \$ 625,000.00 | \$ (8,383.27) |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| Administration | 94,316.27 | 5,140.46 | \$ - | \$ 5,140.46 |
| Distribution | 173,586.09 | 226,163.80 | 176,294.00 | 49,869.80 |
| Production | 325,068.98 | 293,225.24 | 347,106.00 | (53,880.76) |
| Capital Outlay | - | - | 32,000.00 | (32,000.00) |
| Operating Transfers to: | | | | |
| Capital Improvements | | | | |
| Reserve Fund | 22,050.00 | - | - | - |
| FEMA Project Fund | - | 23,000.00 | - | 23,000.00 |
| Water Utility Bond and Interest Fund | 99,350.00 | 101,620.00 | 101,620.00 | - |
| Water Utility Reserve Fund | - | 5,185.00 | 6,000.00 | (815.00) |
| Utility Reserve Fund | 5,869.00 | 1,783.00 | - | 1,783.00 |
| Total Expenditures and Transfers Subject to Budget | 720,240.34 | 656,117.50 | \$ 663,020.00 | \$ (6,902.50) |
| Receipts Over(Under) Expenditures | (68,469.26) | (39,500.77) | | |
| Unencumbered Cash, Beginning | 139,561.75 | 71,092.49 | | |
| Unencumbered Cash, Ending | <u>\$ 71,092.49</u> | <u>\$ 31,591.72</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
WATER UTILITY RESERVE FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Operating Transfers from: | | |
| Water Utility Fund | \$ - | \$ 5,185.00 |
| Utility Reserve Fund | - | 1,783.00 |
| Total Cash Receipts | - | 6,968.00 |
| Expenditures and Transfers | | |
| Commodities | - | - |
| Total Expenditures | - | - |
| Receipts Over(Under) Expenditures | - | 6,968.00 |
| Unencumbered Cash, Beginning | - | - |
| Unencumbered Cash, Ending | \$ - | \$ 6,968.00 |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
WATER UTILITY BOND AND INTEREST FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|---|-------------------------|-------------------|----------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Operating Transfers from Water Utility Fund | \$ 99,350.00 | \$ 101,620.00 | \$ 101,620.00 | \$ - |
| Total Cash Receipts | 99,350.00 | 101,620.00 | \$ 101,620.00 | \$ - |
| Expenditures and Transfers Subject to Budget | | | | |
| Debt Service | | | | |
| Principal | 70,000.00 | 75,000.00 | \$ 75,000.00 | \$ - |
| Interest | 29,350.00 | 26,620.00 | 26,620.00 | - |
| Total Expenditures and Transfers Subject to Budget | 99,350.00 | 101,620.00 | \$ 101,620.00 | \$ - |
| Receipts Over(Under) Expenditures | - | - | | |
| Unencumbered Cash, Beginning | 47,798.12 | 47,798.12 | | |
| Unencumbered Cash, Ending | \$ 47,798.12 | \$ 47,798.12 | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
SEWER UTILITY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|---|-------------------------|---------------------|----------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Charges for Services | | | | |
| User Fees | \$ 199,085.07 | \$ 199,429.07 | \$ 210,000.00 | \$ (10,570.93) |
| Use of Money and Property | | | | |
| Farm Income | 3,900.00 | 3,900.00 | 3,900.00 | - |
| Interest Income | 828.06 | 945.03 | - | 945.03 |
| Other Revenues | | | | |
| Miscellaneous | 7.00 | - | - | - |
| Operating Transfers from: | | | | |
| Sewer Utility Depreciation Reserve Fund | 1,391.34 | - | - | - |
| Electric Utility Reserve Fund | - | 100,000.00 | - | 100,000.00 |
| Gas Line Replacement Sinking Fund | 50,000.00 | - | - | - |
| Total Cash Receipts | <u>255,211.47</u> | <u>304,274.10</u> | <u>\$ 213,900.00</u> | <u>\$ 90,374.10</u> |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| Collection | 95,011.49 | 97,580.59 | \$ 139,467.00 | \$ (41,886.41) |
| Sewage Treatment | 49,772.68 | 46,534.73 | 54,421.00 | (7,886.27) |
| Administration | - | 78,268.02 | 98,630.00 | (20,361.98) |
| Capital Outlay | - | 140,046.76 | 103,450.00 | 36,596.76 |
| Debt Service | | | | |
| Principal | 33,832.95 | 34,708.06 | 40,072.00 | (5,363.94) |
| Interest | 6,238.15 | 5,363.04 | - | 5,363.04 |
| Operating Transfers to: | | | | |
| General Fund | 250,000.00 | - | 50,000.00 | (50,000.00) |
| FEMA Project Fund | - | 55,000.00 | - | 55,000.00 |
| Solid Waste Utility Fund | 12,000.00 | - | - | - |
| Utility Reserve Fund | 1,984.00 | 655.00 | - | 655.00 |
| Sewer Utility Reserve Fund | - | 1,676.00 | 10,000.00 | (8,324.00) |
| Total Expenditures and Transfers Subject to Budget | <u>448,839.27</u> | <u>459,832.20</u> | <u>\$ 496,040.00</u> | <u>\$ (36,207.80)</u> |
| Receipts Over(Under) Expenditures | (193,627.80) | (155,558.10) | | |
| Unencumbered Cash, Beginning | <u>389,012.50</u> | <u>195,384.70</u> | | |
| Unencumbered Cash, Ending | <u>\$ 195,384.70</u> | <u>\$ 39,826.60</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
SEWER UTILITY RESERVE FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Operating Transfers from: | | |
| Sewer Utility Fund | \$ - | \$ 1,676.00 |
| Utility Reserve Fund | - | 655.00 |
| Total Cash Receipts | - | 2,331.00 |
| Expenditures and Transfers | | |
| Commodities | - | - |
| Total Expenditures | - | - |
| Receipts Over(Under) Expenditures | - | 2,331.00 |
| Unencumbered Cash, Beginning | - | - |
| Unencumbered Cash, Ending | \$ - | \$ 2,331.00 |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
SEWER UTILITY DEPRECIATION RESERVE FUND
 Schedule of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|--|-------------------------|---------------------------|
| Cash Receipts | | |
| Use of Money and Property | | |
| Interest Income | \$ - | \$ - |
| Total Cash Receipts | - | - |
| Expenditures and Transfers | | |
| Operating Transfers to Sewer Utility Fund | 1,391.34 | - |
| Total Expenditures | 1,391.34 | - |
| Receipts Over(Under) Expenditures | (1,391.34) | - |
| Unencumbered Cash, Beginning | 1,391.34 | - |
| Unencumbered Cash, Ending | \$ - | \$ - |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
SOLID WASTE UTILITY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|---|-------------------------|---------------------|----------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Charges for Services | | | | |
| User Fees | \$ 168,319.63 | \$ 206,820.77 | \$ 200,000.00 | \$ 6,820.77 |
| Other Revenues | | | | |
| Miscellaneous | - | 140.06 | - | 140.06 |
| Operating Transfers from Sewer Utility Fund | 12,000.00 | - | - | - |
| Total Cash Receipts | 180,319.63 | 206,960.83 | \$ 200,000.00 | \$ 6,960.83 |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| Collections | 148,791.23 | 145,826.96 | \$ 164,122.00 | \$ (18,295.04) |
| Administration | 6,462.96 | 9.62 | - | 9.62 |
| Debt Service | | | | |
| Capital Lease Payments | 26,146.65 | 26,148.94 | 26,150.00 | (1.06) |
| Operating Transfers to: | | | | |
| Solid Waste Utility Reserve Fund | - | 1,387.00 | - | 1,387.00 |
| Capital Improvements | | | | |
| Reserve Fund | 2,200.00 | - | - | - |
| Total Expenditures and Transfers Subject to Budget | 183,600.84 | 173,372.52 | \$ 190,272.00 | \$ (16,899.48) |
| Receipts Over(Under) Expenditures | (3,281.21) | 33,588.31 | | |
| Unencumbered Cash, Beginning | 4,981.62 | 1,700.41 | | |
| Unencumbered Cash, Ending | <u>\$ 1,700.41</u> | <u>\$ 35,288.72</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
SOLID WASTE UTILITY RESERVE FUND
Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | <u>Prior Year Actual</u> | <u>Current Year Actual</u> |
|--|----------------------------------|------------------------------------|
| Cash Receipts | | |
| Operating Transfers from Solid Waste Utility Fund | \$ - | \$ 1,387.00 |
| Total Cash Receipts | <u>-</u> | <u>1,387.00</u> |
| Expenditures and Transfers | | |
| Commodities | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>-</u> | <u>-</u> |
| Receipts Over(Under) Expenditures | - | 1,387.00 |
| Unencumbered Cash, Beginning | <u>-</u> | <u>-</u> |
| Unencumbered Cash, Ending | <u>\$ -</u> | <u>\$ 1,387.00</u> |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
STORM WATER UTILITY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|---------------------|---------------------|-------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Charges for Services | | | | |
| User Fees | \$ 31,445.76 | \$ 31,552.16 | \$ 30,000.00 | \$ 1,552.16 |
| Total Cash Receipts | <u>31,445.76</u> | <u>31,552.16</u> | <u>\$ 30,000.00</u> | <u>\$ 1,552.16</u> |
| Expenditures and Transfers | | | | |
| Subject to Budget | | | | |
| Drainage Maintenance | 21,108.25 | 18,128.72 | \$ 25,709.00 | \$ (7,580.28) |
| Operating Transfers to | | | | |
| Storm Water Utility Reserve Fund | - | 214.00 | - | 214.00 |
| Total Expenditures and Transfers | | | | |
| Subject to Budget | <u>21,108.25</u> | <u>18,342.72</u> | <u>\$ 25,709.00</u> | <u>\$ (7,366.28)</u> |
| Receipts Over(Under) Expenditures | 10,337.51 | 13,209.44 | | |
| Unencumbered Cash, Beginning | <u>32,412.55</u> | <u>42,750.06</u> | | |
| Unencumbered Cash, Ending | <u>\$ 42,750.06</u> | <u>\$ 55,959.50</u> | | |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
STORM WATER UTILITY RESERVE FUND
 Schedule of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|--|-------------------------|---------------------------|
| Cash Receipts | | |
| Operating Transfers from Storm Water Utility Fund | \$ - | \$ 214.00 |
| Total Cash Receipts | - | 214.00 |
| Expenditures and Transfers | | |
| Commodities | - | - |
| Total Expenditures | - | - |
| Receipts Over(Under) Expenditures | - | 214.00 |
| Unencumbered Cash, Beginning | - | - |
| Unencumbered Cash, Ending | \$ - | \$ 214.00 |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
UTILITY RESERVE FUND

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|--------------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Operating Transfers from: | | |
| Gas Utility Fund | \$ 14,513.00 | \$ 9,155.00 |
| Sewer Utility Fund | 1,984.00 | 655.00 |
| Electric Utility Fund | 509,639.21 | 12,932.00 |
| Water Utility Fund | 5,869.00 | 1,783.00 |
| Total Cash Receipts | <u>532,005.21</u> | <u>24,525.00</u> |
| Expenditures and Transfers | | |
| Commodities | 145,268.25 | - |
| Capital Outlay | 19,284.00 | - |
| Operating Transfers to: | | |
| Electric Utility Reserve Fund | - | 380,385.00 |
| Water Utility Reserve Fund | - | 1,783.00 |
| Sewer Utility Reserve Fund | - | 655.00 |
| Gas Line Replacement Sinking Fund | - | 9,154.96 |
| Total Expenditures | <u>164,552.25</u> | <u>391,977.96</u> |
| Receipts Over(Under) Expenditures | 367,452.96 | (367,452.96) |
| Unencumbered Cash, Beginning | <u>-</u> | <u>367,452.96</u> |
| Unencumbered Cash, Ending | <u>\$ 367,452.96</u> | <u>\$ -</u> |

See accompanying independent auditors' report

**CITY OF NEODESHA, KANSAS
AGENCY FUNDS**

Schedule of Cash Receipts and Cash Disbursements
For the Year Ended December 31, 2011

| | Beginning Cash Balance | Cash Receipts | Cash Disbursements | Ending Cash Balance |
|---------------------------|------------------------------|----------------------|-----------------------|---------------------------|
| Sales Tax Fund | \$ - | \$ 182,830.58 | \$ 182,830.58 | \$ - |
| Fire Insurance Proceeds | 14,002.75 | 25,509.97 | 14,002.75 | 25,509.97 |
| Unapplied Credits Fund | 29,522.71 | 186,728.71 | 237,170.64 | (20,919.22) |
| Total Agency Funds | \$ 43,525.46 | \$ 395,069.26 | \$ 434,003.97 | \$ 4,590.75 |

See accompanying independent auditors' report

CITY OF NEODESHA, KANSAS
NEODESHA PUBLIC LIBRARY

Schedule of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

| | Prior Year Actual | Current Year Actual |
|---|-------------------------|---------------------------|
| Cash Receipts | | |
| Taxes and Shared Revenue | | |
| SEK Library Association | \$ 10,932.00 | \$ 9,522.20 |
| City of Neodesha | 52,229.46 | 52,816.14 |
| State Aid | 1,479.00 | 1,262.00 |
| Use of Money and Property | | |
| Interest and Dividend Income | 8,453.30 | 7,088.98 |
| Gain (Loss) on the Sale of Investments | (34,126.20) | (2,048.55) |
| Other Revenue | | |
| Donations | 11,482.22 | 27,057.36 |
| Fees and Miscellaneous | 6,946.57 | 6,709.23 |
| Total Cash Receipts | 57,396.35 | 102,407.36 |
| Expenditures | | |
| Culture and Recreation | | |
| Personal Services | 76,997.96 | 78,493.67 |
| Contractual Services | 1,501.81 | 1,483.09 |
| Commodities | 20,596.17 | 17,058.86 |
| Capital Outlay | 5,453.00 | 10,784.22 |
| Total Expenditures | 104,548.94 | 107,819.84 |
| Receipts Over(Under) Expenditures | (47,152.59) | (5,412.48) |
| Unencumbered Cash, Beginning | 473,956.56 | 426,803.97 |
| Unencumbered Cash, Ending | <u>\$ 426,803.97</u> | <u>\$ 421,391.49</u> |

See accompanying independent auditors' report

FEDERAL COMPLIANCE SECTION

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

| FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE | Pass Through Identifying Number | FEDERAL CFDA NUMBER | CASH RECEIPTS | FEDERAL DISBURSEMENTS/ EXPENDITURES |
|--|---------------------------------------|---------------------------|------------------|---|
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | |
| Passed through the Kansas Department of Commerce | | | | |
| Community Development Block Grant - Economic Development | 09-BF-R02 | 14-218 | \$ 4,250.00 | \$ 4,250.00 |
| Community Development Block Grant - Demolition | 09-PF-915 | 14-218 | 27,628.00 | 27,628.00 |
| | | Total 14.218 | 31,878.00 | 31,878.00 |
| Total U.S. Department of Housing and Urban Development | | | 31,878.00 | 31,878.00 |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | | |
| Passed through the Kansas Department of Transportation | | | | |
| CLICK Step Special Enforcement Program | OP-1169-11 | 20.600 | 1,033.51 | 1,033.51 |
| Total U.S. Department of Transportation | | | 1,033.51 | 1,033.51 |
| <u>ENVIRONMENTAL PROTECTION AGENCY</u> | | | | |
| Passed through the Kansas Department of Health and Environment | | | | |
| Capitalization Grants for Drinking Water - ARRA | Cryptosporidium | 66.468 | 9,576.00 | - |
| Total Environmental Protection Agency | | | 9,576.00 | - |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | | |
| Passed through the Kansas Department of Emergency Management | | | | |
| Public Assistance Grant | FEMA-KS-DR1711 | 97.036 (M) | 1,833,186.74 | 1,833,186.75 |
| Total U.S. Department of Homeland Security | | | 1,833,186.74 | 1,833,186.75 |
| TOTAL FEDERAL AWARDS | | | \$ 1,875,674.25 | \$ 1,866,098.26 |

Note to the Schedule of Expenditures of Federal Awards:
Federal expenditures are recorded on the accrual basis of accounting, which records expenses when the goods or services are received, and not necessarily when paid.

(M) - Tested as a Major Program

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**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 Neodesha, Kansas

We have audited the financial statements of the City of Neodesha, Kansas, as of and for the year ended December 31, 2011, which collectively comprise the City of Neodesha, Kansas' basic financial statements and have issued our report thereon dated June 27, 2012. 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 City of Neodesha, Kansas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Neodesha, Kansas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Neodesha, Kansas' 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Neodesha, Kansas' 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*.

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

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

June 27, 2012
Chanute, Kansas

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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 Neodesha, Kansas

Compliance

We have audited City of Neodesha, Kansas' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of City of Neodesha, Kansas' major federal programs for the year ended December 31, 2011. City of Neodesha, Kansas' 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 of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Neodesha, Kansas' management. Our responsibility is to express an opinion on City of Neodesha, Kansas' 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 City of Neodesha, Kansas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Neodesha, Kansas' compliance with those requirements.

In our opinion, City of Neodesha, Kansas, complied, in all material respects, with the compliance 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

Management of City of Neodesha, Kansas, 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 City of Neodesha, Kansas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 City of Neodesha, Kansas' internal control over compliance.

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

Our consideration of 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 management, 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 specified parties.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

June 27, 2012
Chanute, Kansas

CITY OF NEODESHA, KANSAS

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

The auditors' report expresses a qualified opinion on the financial statements of City of Neodesha, Kansas.

Internal Control over Financial Reporting:

Material weakness(es) identified? _____ Yes X No
Significant deficiencies identified that are not considered to be a material weakness? _____ Yes X No
Non compliance or other matters required to be reported under *Government Auditing Standards* _____ Yes X No

Federal Awards:

Internal control over major programs:
Material weakness(es) identified? _____ Yes X No
Significant deficiencies identified that are not considered to be a material weaknesses? _____ Yes X No

The auditors' report on compliance for the major federal award programs for City of Neodesha, Kansas expresses an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

U.S. Department of Homeland Security

Public Assistance Grant – CFDA No. 97.036

The threshold for distinguishing Types A and B programs was \$300,000.00.

Auditee qualified as a low risk auditee? _____ Yes X No

II. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

CITY OF NEODESHA, KANSAS

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2011

December 31, 2010:

No Findings in the Prior Year Audit