

CITY OF ATCHISON, KANSAS



**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

For the year ended December 31, 2012

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

CITY OF ATCHISON, KANSAS

For the Fiscal Year Ended

December 31, 2012

Prepared by:

FINANCE DEPARTMENT

City of Atchison, Kansas

CITY OF ATCHISON, KANSAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2012

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Introductory Section

2012



June 13, 2013

The Honorable Mayor, Members of the City Commission, and Citizens of the City of Atchison:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Atchison (City) for the fiscal year ended December 31, 2012. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations for the various activities of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditor's Report.

State law requires that every general-purpose local government publish a complete set of audited financial statements after the close of the fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2012. Berberich Trahan & Co. P.A, has issued unqualified opinions on the City's financial statements for the year ended December 31, 2012.

Profile of the Government

The City is the primary unit of government and was incorporated in 1858. It is located in the northeastern part of the state approximately 35 miles from the Kansas City International Airport. It currently occupies 6.9 square miles and serves a population of 10,943. The City is empowered to levy a property tax on both real and personal property within its boundaries and to extend the city limits by annexation, which it has done from time to time.

The City operates under the commission-manager form of government. Policymaking and legislative authority are vested in a governing commission consisting of the mayor and four other members, all elected on a non-partisan basis. The Commission appoints the city manager, who in turn appoints the heads of the various departments. Three of the commissioners are elected every two years. The two with the largest number of votes serve four-year terms, and the third serves a two-year term. The mayor is elected by the Commission and serves a one-year term.

The City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; community development, and recreational and cultural activities. Sanitation, water and wastewater services are also provided and are included as an integral part of the City's financial statements.

The City is also financially accountable for a legally independent library which is reported on separately within the City's financial statements. Additional information on this entity can be found in Note 1 of the financial statements.

Local Economy

In its early history, Atchison was an important supply center for settling the West, and continues to enjoy a strong commercial base today. Major industries located within the City's boundaries, or in close proximity, include manufacturers of food and mill ingredients, distillery products, steel pipelines, concrete poles, steel castings, dust and wet mops, electrical wiring harnesses and rail anchors.

Other economic presences include the headquarters of a publicly traded company, a full-service hospital, a four-year accredited college, a vocational school, national suppliers of leather and textile products, wholesale hardware and more.

The economic downturn has had a negative impact on Atchison's unemployment rate but the situation is improving as the economy does. At the end of December the unemployment rate was 6.8% compared to 8.1% at the end of 2011. Prior to 2009 the County unemployment rate had remained fairly stable, ranging from 4.4% (2008) to 5.9% (2004).

Specialty retail shops and the tourism industry have contributed to the local economy in the past ten years. Sales tax receipts continued the rebound that began in 2011, increasing 4% over 2011 and exceeding pre-recession receipts. The City's one-cent sales tax, along with its share of the County's one-cent sales tax, have risen 42 percent from \$1,870,136 in 2002 to \$2,661,217 in 2012. In 2004, the City began reserving a portion of its share of the County one-cent sales taxes to fund future improvements to the wastewater system. The accumulated balance at the end of 2012 is \$1,782,230.

Relevant financial policies

Budgeting -The Commission is required by Kansas State Statute to adopt a final budget by August 25th of each year. The annual budget is the foundation for the City's financial planning and control. The budget is prepared by fund (e.g., general fund), and by department (e.g., police). The City's budget is prepared on a modified accrual basis further modified by an encumbrance system of accounting as required by applicable state statutes. The City Manager presents recommendations for the budget to the Mayor and Commissioners for review. A series of public meetings are held by Commissioners to review alternative spending proposals. After soliciting public input, the Commission adopts the budget. The budget is controlled through an accounting system to ensure effective fiscal management and accountability.

Capital Spending - The City prepares a five-year spending plan for replacing its equipment, as well as a five-year capital improvement (CIP) plan for maintaining and making betterments to infrastructure. Both plans are updated annually and approved by the governing body. Equipment replacements are funded by transfers from other funds, primarily the general fund, in addition to long-term leases for major equipment purchases. Capital improvements are funded through transfers from other funds, intergovernmental grants and revenues and general obligation bonds. The funding of equipment replacement and infrastructure maintenance can be designed to provide a stable and sustainable program that minimizes future cost, or the funding of these capital expenses can be deferred in the short term in order to minimize current expenses. During the peak of the recession, the City's spending decisions were leaning toward the latter option. Now that revenues and fund balances have stabilized, the City has enhanced funding for equipment and capital improvements.

Debt Service - The City's debt service is funded by property taxes and includes a 12-mill levy limit established by Ordinance. Debt management policies established by the Commission include a general obligation bond per capita limit of \$500, an overall debt limit of 10 percent of assessed value, and a debt service limit of 10 percent of governmental fund expenses. These policies are specific to general obligation debt related to governmental activities, not any debt related to business-type funds as that debt is meant to be repaid with revenues generated by those funds. The Commission reviews debt policy limits annually during the budget process.

Internal Controls - Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Investing – The City determines idle cash available for investing for selected time frames, and solicits bids from local banks for certificates of deposit. Local banks are required to match the rate established by the State Municipal Investment Pool, or the money is invested in the state pool. Due to historically low rates of return offered on investments, the City does not have any idle cash invested at this time.

Risk Management – The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All potential claims, and/or liabilities are reported immediately when it becomes evident that a loss has occurred or a claim may be made.

The City has addressed the potential risk by purchasing various commercial insurance policies for certain insurable causes of loss. These policies cover liability, employee dishonesty, public official's liability, property damage to buildings, contents and other personal property. Losses due to earthquakes and terrorism have been excluded. The City established an insurance reserve fund in order to fund the deductible portion of losses. The balance at the end of 2012 was \$39,493.

Spending Limits - The state limits annual spending in each fund to the amount budgeted. Prior to spending an amount in excess of the budgeted amount, the City must hold a public hearing with notice published a minimum of 10 days in advance. This does not apply to funds not subject to state budget law, such as insurance reserve, capital projects, and grant funds.

Major Initiatives

The City reached an agreement on a consent order with the Kansas Department of Health and Environment and Environmental Protection Agency to address run-off sewer discharge, a byproduct of the City's combined storm/sewer system. We believe this agreement does provide a reasonable plan of action that promotes environmental health without unduly burdening the taxpayers of Atchison.

The City has also begun the preliminary work for adding an additional 2 million gallons of water storage and installing an ozone disinfection byproducts system to the Water Treatment Plant.

The City continues to work with the County to fund solid waste operations in the most equitable manner and implement single stream recycling services.

During 2012, the City began preliminary work on addressing deferred maintenance issues at the Atchison Heritage Conference Center. The design phase of the project is nearly complete, and the project should be underway by late summer of 2013.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2011. This was the sixteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City had to create an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a seventeenth consecutive certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Rebecca Anderson
Finance Director



Trey Cocking
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Atchison
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morill

President

Jeffrey R. Emmer

Executive Director



CITIZENS

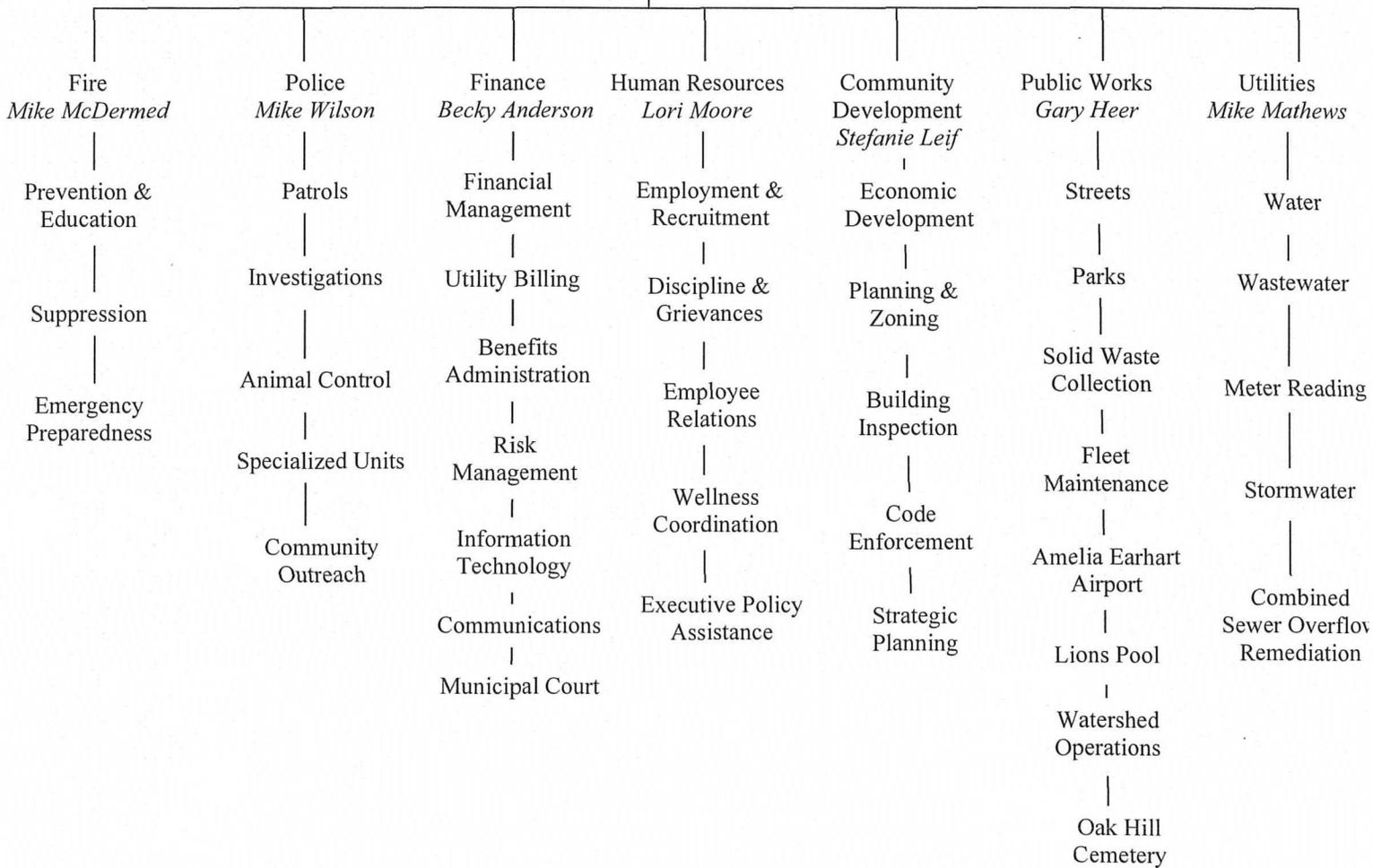
GOVERNING BODY

City Manager
Trey Cocking

City Clerk/
Executive Assistant
Deb Clem

City Attorney
J. David Farris

City Engineer
Dave Mahoney



CITY OF ATCHISON, KANSAS

List of Elected and Appointed Officials

December 31, 2012

ELECTED OFFICIALS

Allen Reavis
Mayor
Term Expires April 2013

David W. Butler
Vice-Mayor
Term Expires April 2015

Larry Purcell
Commissioner
Term Expires April 2013

Jack Bower
Commissioner
Term Expires April 2015

Rita Hartman
Commissioner
Term Expires April 2013

APPOINTED OFFICIALS

Trey Cocking
City Manager

Rebecca Anderson
Director of Finance

Michael A. Wilson
Chief/Director of Police Services

Michael E. McDermid
Chief/Director of Fire Services

Gary L. Heer
Director of Public Works

Lorelei E. Moore
Director of Human Resources

Michael Mathews
Director of Utilities

Debra Clem
City Clerk

Stefanie Leif
Community Development Director

J. David Farris
City Attorney

Pat Henderson
Municipal Judge

Financial Section

2012



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Commission
Atchison, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Atchison, Kansas (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and applicable provisions of the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 through 20, the Schedule of Funding Progress on page 63 and the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual for the General Fund on pages 64 to 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining general fund and nonmajor fund financial statements and schedules, single audit compliance schedules, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining general fund and nonmajor fund financial statements and schedules, and single audit compliance schedules, including the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 13, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Berwick Trahan + Co., P.A.

Topeka, Kansas
June 13, 2013

City of Atchison, Kansas
Management's Discussion and Analysis
Fiscal Year Ended December 31, 2012

This section of the report contains an overview and an analysis of the City of Atchison's (the City) financial statements for the fiscal year ended December 31, 2012. This information and the information contained in the transmittal letter are intended to provide the reader of the financial statements with a well-rounded picture of the City's financial condition.

Financial Highlights

- The City's total assets exceeded its total liabilities by \$33,930,625.
- The net position of the City's governmental activities increased by \$1,011,570 (or 6.74%) while net position of business activities increased by \$2,837,519 (or 18.84%).
- At the end of 2012 the unassigned fund balance for the general fund was \$2,073,289, 32% of general fund expenditures and a \$502,051 increase over the total 2011 unassigned fund balance.

Overview of the Financial Statements

The City's basic financial statements include the government-wide financial statements and the fund financial statements. The notes to the financial statements follow the basic financial statements and are essential for understanding the financial statements. The report also contains additional supplementary information to assist the reader.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Atchison's finances, in a manner similar to private-sector businesses.

The Statement of Net Position presents information for the assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator over time of whether the financial position of the City of Atchison is improving or deteriorating.

The Statement of Activities shows the revenues and expenses related to specific programs, and how the government's net position changed during the fiscal year. This statement is presented on the accrual basis so that transactions are reflected as they occur, and not as cash is impacted.

Both statements distinguish functions of the City that are supported by taxes and intergovernmental revenues from functions that recover their costs through user fees and charges. The governmental activities include general government, public safety, public works, community development, and parks and recreation. The business-type activities include the water and wastewater utilities and refuse operations. Business-type activities are operations that are intended to recover most, if not all, of their costs through user fees and charges.

The government-wide financial statements include a City library as a discretely presented component unit. See note 1 to the financial statements for a more complete description of the relationship between this entity and the City.

Fund Financial Statements

A fund is a fiscal entity with accounts for recording balances of resources, liabilities, equity, revenues and expenses. Funds are segregated for specific activities or objectives, in accordance with regulations, restrictions or limitations. City funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental fund financial statements are prepared on the modified accrual basis. Under this approach, revenues are recognized when measurable and available, and expenditures are recognized when the related fund liabilities are incurred with the exception of capital outlays and long-term debt and other similar items that are recorded when due. Governmental funds are used to account for essentially the same functions included in the government-wide financial statements, but the focus is on the short term financial condition rather than the City as a whole. The reconciliation at the end of the fund financial statements explains the relationship between governmental fund financial statements and government-wide financial statements.

The City maintains one type of proprietary fund, enterprise funds. The City uses enterprise funds to account for its water and wastewater utilities and refuse operations. These funds are prepared on the accrual basis of accounting and present the same information included in the government-wide financial statements in greater detail.

Fiduciary funds are used by the City to account for resources held for the benefit of third parties. Because the resources of these funds are not available for the City's operations, they are not presented in the government-wide financial statements. The Fiduciary funds include the Amelia Earhart Festival, Santa Fe Depot Enhancement, Veterans Memorial Park, Jackson Park Revitalization, and the White Clay Watershed District funds. A combining statement can be found in the supplementary information following the notes to the financial statements.

Notes to the Financial Statements

The notes are an integral part of the financial statements and provide essential information for a full understanding of the data provided in those statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the City's progress in funding its obligation to provide post employment benefits to its employees and the City's general fund budgeted and actual expenditures. The combining statements for the combined general fund and non-major funds are included after the required supplementary information. The Statistical section of the report includes historical financial information and other data about the City.

Analysis of the Government-wide Statements

Net Position

Net position may serve as a useful indicator of the City's financial condition. The City's government-wide net position increased by \$3,849,089 or 12.8 percent for the fiscal year ended December 31, 2012. The largest portion of the City's net position (75 percent) is in capital assets (land, buildings, infrastructure, vehicles and machinery and equipment); less any debt related to those assets still outstanding.

Combined Net Position of the City at December 31 was:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 6,800,701	\$ 6,664,933	\$ 6,610,838	\$ 5,474,755	\$ 13,411,539	\$ 12,139,688
Capital assets	16,724,393	16,163,161	22,853,865	22,116,365	39,578,258	38,279,526
Total assets	<u>23,525,094</u>	<u>22,828,094</u>	<u>29,464,703</u>	<u>27,591,120</u>	<u>52,989,797</u>	<u>50,419,214</u>
Long-term liabilities	4,319,393	4,694,564	11,055,778	12,216,696	15,375,171	16,911,260
Other liabilities	3,174,901	3,114,300	509,100	312,118	3,684,001	3,426,418
Total liabilities	<u>7,494,294</u>	<u>7,808,864</u>	<u>11,564,878</u>	<u>12,528,814</u>	<u>19,059,172</u>	<u>20,337,678</u>
Net position:						
Net investment in capital assets	13,313,242	12,272,996	11,908,638	10,017,324	25,221,880	22,290,320
Restricted	555,711	1,161,035	-	-	555,711	1,161,035
Unrestricted	2,161,847	1,585,199	5,991,187	5,044,982	8,153,034	6,630,181
Total net position	<u>\$ 16,030,800</u>	<u>\$ 15,019,230</u>	<u>\$ 17,899,825</u>	<u>\$ 15,062,306</u>	<u>\$ 33,930,625</u>	<u>\$ 30,081,536</u>

Governmental Activities

The City's governmental activities ended 2012 with positive net position. Cash balances decreased by \$34,543 or 1%, compared to a 58% increase from 2010 to 2011. The City's healthy cash balances are due to decisions made by the governing body during the budget processes of the last several years to maintain stronger fund balances and keep additional cash reserves on hand. Capital assets increased by \$561,232 or 3%, mainly due to street improvements and the purchase of land near the Amelia Earhart Airport.

Total Liabilities decreased by \$314,570 or 4 percent. Long-term debt decreased due to principal payments and no new debt being issued in 2012. Other liabilities increased slightly.

Business-type activities

The City's business-type activities ended 2012 with positive net position.

- The total cash position increased by \$640,208 or 22 percent. This is due to rate increases implemented since 2010 to ensure that the utilities are able to fund operations and necessary capital improvements. Many of the required projects are in the design phase, and as we move forward with construction, the cash balances will begin to decrease. During 2012, a wastewater treatment plant improvement was constructed and completed in early 2013.
- Several capital projects (2 million gallon water storage tank, booster pump station and ozone system) were started in 2012, resulting in an increase of \$1,343,996 to construction in progress.
- Total liabilities decreased by \$963,936, mainly due to the application of principal forgiveness on a loan from the State Revolving Loan Fund used to fund water improvements.

Statement of Activities

Changes in net position of the City for the years ended December 31 were:

<u>Changes in Net Position</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 586,446	\$ 876,159	\$ 6,201,360	\$ 5,659,636	\$ 6,787,806	\$ 6,535,795
Operating grants and contributions	447,042	407,400	-	-	447,042	407,400
Capital grants and contributions	545,799	515,552	1,219,916	22,788	1,765,715	538,340
General revenues:						
Property taxes	3,211,414	3,231,311	-	-	3,211,414	3,231,311
Other taxes	2,998,840	2,915,244	996,021	974,892	3,994,861	3,890,136
Unrestricted investment earnings	27,157	24,660	24,318	14,945	51,475	39,605
Other	13,522	-	-	-	13,522	-
Total revenues	<u>7,830,220</u>	<u>7,970,326</u>	<u>8,441,615</u>	<u>6,672,261</u>	<u>16,271,835</u>	<u>14,642,587</u>
Expenses:						
General government	2,288,605	2,478,684	-	-	2,288,605	2,478,684
Public safety	3,080,529	2,923,106	-	-	3,080,529	2,923,106
Public works	1,815,676	1,718,105	-	-	1,815,676	1,718,105
Parks and recreation	306,470	297,417	-	-	306,470	297,417
Interest on long-term debt	119,877	124,977	-	-	119,877	124,977
Water	-	-	2,521,121	2,294,146	2,521,121	2,294,146
Wastewater	-	-	1,905,811	1,541,013	1,905,811	1,541,013
Refuse	-	-	384,657	360,427	384,657	360,427
Total expenses	<u>7,611,157</u>	<u>7,542,289</u>	<u>4,811,589</u>	<u>4,195,586</u>	<u>12,422,746</u>	<u>11,737,875</u>
Increase in net position before transfers	219,063	428,037	3,630,026	2,476,675	3,849,089	2,904,712
Transfers	792,507	585,544	(792,507)	(585,544)	-	-
Change in net position	1,011,570	1,013,581	2,837,519	1,891,131	3,849,089	2,904,712
Net position, beginning	15,019,230	14,005,649	15,062,306	13,171,175	30,081,536	27,176,824
Net position, ending	<u>\$ 16,030,800</u>	<u>\$ 15,019,230</u>	<u>\$ 17,899,825</u>	<u>\$ 15,062,306</u>	<u>\$ 33,930,625</u>	<u>\$ 30,081,536</u>

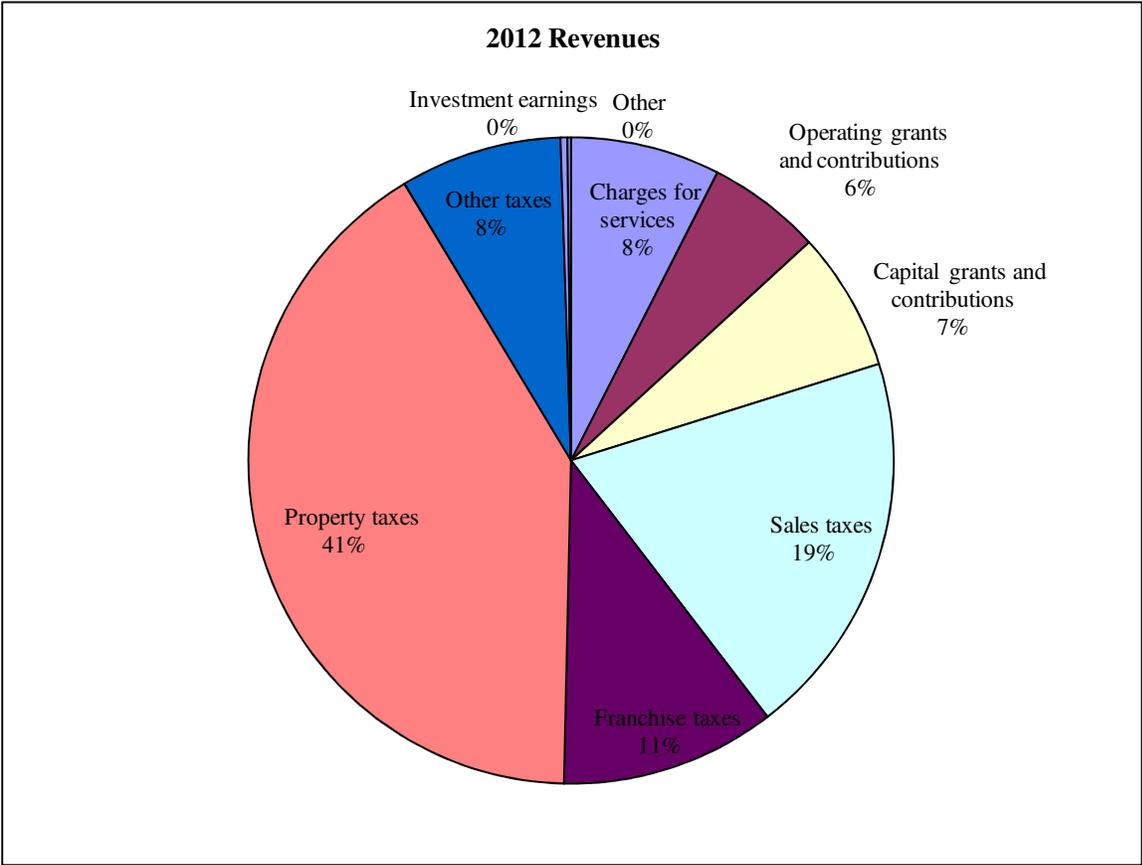
Governmental Activities

- Total revenues from governmental programs decreased by \$140,106 or 1.7 percent. Charges for services decreased by \$289,713 mainly due to a reduction in the number of house demolitions done by the Community Development department compared to 2011. The operating grants and contributions increased by 9.7% in 2012. Capital grants and contributions increased by 5.8%. Significant grant funding was received from the Federal Aviation Administration for airport improvements. Property taxes decreased slightly, less than one percent, but other taxes increased by 2.8%, led by a 4% increase in sales tax collections.
- Total expenses increased by less than 1%. General government expenditures decreased because of the smaller house demolition program in 2012. Interest on long term debt also decreased. Public safety, public works and parks and recreation all saw increases of 3% to 5%. These increases were driven by cost of living salary adjustment for employees.
- The tables below compare the mill levies and the related assessed values for the 2011 and 2012 budget. The change in assessed value is due to the reappraisal of existing real estate.

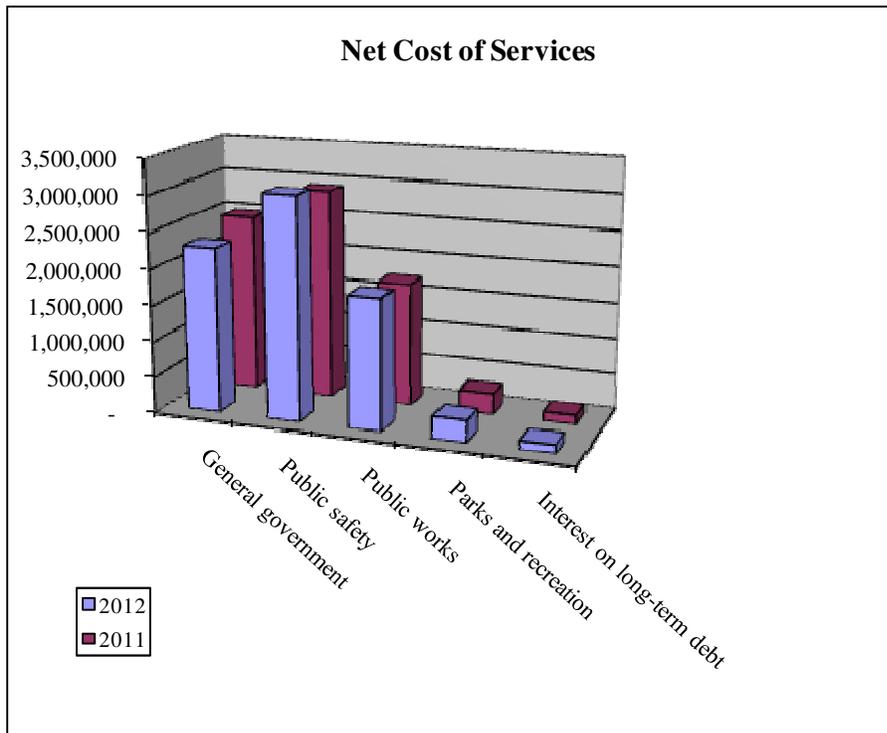
Mill Levy Rates 2011 and 2010		
	2011 Levy to support 2012 Budget	2010 Levy to support 2011 Budget
General fund	39.296	37.892
Debt service	8.002	8.255
Library	6.771	6.733
	<u>54.069</u>	<u>52.880</u>

Assessed Valuation 2011 and 2010				
	2011 Valuation to support 2012 Budget	2010 Valuation to support 2011 Budget	Increase / (Decrease) Over Prior Year	% Change
Real Estate	\$ 60,578,300	\$ 60,339,718	\$ 238,582	0.40%
Personal	4,738,734	5,518,345	(779,611)	-14.13%
Utilities	4,932,363	4,692,455	239,908	5.11%
Neighborhood revitalization	(8,853,139)	(7,449,991)	(1,403,148)	18.83%
	<u>\$ 61,396,258</u>	<u>\$ 63,100,527</u>	<u>\$ (1,704,269)</u>	<u>-2.70%</u>

The following graph illustrates the composition of 2012 primary government revenues.



The following graph compares the net cost of services for governmental activities in 2012 and 2011.



The total cost of services in 2012 was \$7,611,157; however, \$1,579,287 was funded by users directly benefiting from the services, or by other organizations through operating and capital grants and contributions. The City's taxpayers, primarily through property taxes, franchise fees and sales taxes, paid the remaining \$6,031,870 of these services.

Business-type Activities

Revenues and expenses increased over the prior year as discussed below.

- Revenues for business activities increased by 9.5%. Each utility implemented rate increases in 2012. Water rates were increased by 3%, wastewater by 5% and refuse by 4.9%. Additionally, the water and wastewater utilities received capital contributions totaling \$1.2 million to fund improvements to facilities.
- Expenses for business-type activities increased by \$616,003 (14.7%). All three business-type funds saw increases but the largest increase of 23.7% was in the wastewater fund due to repair of damage to infrastructure caused by the 2011 Missouri River flood. Employees also received cost of living salary adjustments of 2%.

Analysis of the Fund Financial Statements

The City uses fund accounting to enhance and demonstrate fiscal responsibility and compliance with finance related legal requirements.

	Total Fund Balance at December 31		Unrestricted Fund Balance at December 31	
	2012	2011	2012	2011
General	\$ 2,823,777	\$ 2,119,491	\$ 2,823,777	\$ 2,119,491
Capital projects	443,391	1,023,558	152,152	198,616
Water	7,642,410	5,773,380	2,460,080	1,781,163
Wastewater	9,985,467	8,977,981	3,274,150	2,991,456
Total	\$ 20,895,045	\$ 17,894,410	\$ 8,710,159	\$ 7,090,726

Financial Analysis of the Government's Funds

The focus of the City's governmental funds is to provide information about current inflows, outflows and balances of spendable resources. The unrestricted fund balance is a helpful measure of the City's resources available for expenditure at the end of the year. Overall, the City's major funds experienced a 4 percent increase in total fund balance as a result of 2012 operations.

The general fund is the main operating fund of the City. At December 31, 2012, the unassigned balance for the general fund was \$2,073,289. To assess the liquidity of a fund it may be useful to compare the fund balance (total and unassigned) to the fund's total expenditures. For 2012, the unassigned fund balance is 33 percent of fund expenditures and the total fund balance is 44 percent of expenditures.

The decrease in the capital projects fund balance is due to the completion of the street improvement project that was financed with \$1,830,000 of general obligation debt. The street project was completed in early summer of 2012. Other projects funded during 2012 were park improvements, airport improvements and fire station improvements.

The unrestricted general fund balance increased by 32 percent in 2012. The increase is attributable to holding expenditures at virtually the same level as 2011, while increasing transfers from proprietary funds.

Total water and wastewater fund balance increases are due to rate increases coupled with a significant increase in capital contributions for water system improvements.

General Fund Budgetary Highlights

The following revenue and expenditure categories experienced significant differences between budgeted versus actual expenditures.

- Sales Tax – Sales tax collections were quite strong in 2011, due to the Missouri River flood that changed consumer travel patterns and 2012 collections continued to follow that trend.
- Franchise Fees – Franchise fees exceeded budgeted expectations again in 2012, particularly those generated by Westar and Kansas Gas Service.
- Fines and Fees – 2012 saw a large decrease in this revenue stream from 2011, due to a drop in the number of house demolitions performed by the Community Development Department.

- Expenditures- some departments experienced significant savings against budget:
 - Finance – Costs incurred for group health insurance, postage, equipment repairs and professional services were all lower than anticipated. The insurance cost savings were due to personnel changes within the department. Postage savings resulted from more accurate tracking and correct charging of departments for usage.
 - Community Development – The housing demolition program decreased significantly from 2011, resulting in lower expenditures. Additionally, turnover in personnel created savings due to a temporary position vacancy.
 - Atchison Heritage Conference Center – Property taxes were reduced due to the removal of the Lodge from the tax rolls and fewer building repairs were required in 2012 than expected.

Capital Assets and Debt Administration

Capital Assets

The City’s total investment in capital assets as of December 31, 2012, was \$39,578,258 (net of accumulated depreciation). This is a 3 percent increase over 2011. A breakdown of assets by category is presented below.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,246,432	\$ 1,884,933	\$ 101,537	\$ 101,537	\$ 2,347,969	\$ 1,986,470
Construction in progress	270,072	846,194	1,600,938	256,942	1,871,010	1,103,136
Buildings and systems	776,715	779,964	20,450,892	20,946,253	21,227,607	21,726,217
Improvements	5,289,771	5,550,012	-	-	5,289,771	5,550,012
Machinery and equipment	967,291	1,016,211	700,498	811,633	1,667,789	1,827,844
Infrastructure	7,174,112	6,085,847	-	-	7,174,112	6,085,847
	<u>\$ 16,724,393</u>	<u>\$ 16,163,161</u>	<u>\$ 22,853,865</u>	<u>\$ 22,116,365</u>	<u>\$ 39,578,258</u>	<u>\$ 38,279,526</u>

The major additions to capital assets in 2012 were street improvements that added to infrastructure, the purchase of a tract of land near the Amelia Earhart Airport and additions to Construction in Progress. The major projects still underway are water improvements: an ozone treatment system at the water plant, a new booster pump station and a new two million gallon water storage tank.

Additional information regarding the City’s capital assets can be found in Notes 1 and 5 in the notes to the financial statements.

Debt Administration

Long-term debt – The outstanding general obligation bonds at December 31, 2012 totaled \$3,309,868, and the outstanding bonds supported by revenues of business activities were \$5,435,132, for a total outstanding bond debt of \$8,745,000. In addition, the City has loans with the State Revolving Loan fund in the amount of \$5,448,587. These loans were used to finance water and wastewater system improvements. In the spring of 2011, Moody’s Investor Services gave the City an “A1” credit rating, positively impacting rates for future bond issuances.

The ratio of general obligation bonded debt to assessed valuation and the amount of bonded debt per capita provide useful indicators of the City's debt position to citizens, elected officials, City management and investors. This data for the City at the end of 2012 is presented below.

	Net General Obligation Debt	Ratio of Debt To Assessed Value	Debt Per Capita
2012	\$8,745,000	14.24%	\$798

State statutes limit net general obligation debt to 30 percent of assessed value. At December 31, 2012 taxable assessed valuation was \$61,396,258 and net bonded debt was \$8,485,098. The City's debt margin totaled \$9,933,779.

Additional information regarding the City's debt can be found in Note 10 in the notes to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the City finances. In compliance with the Kansas Open Records Act, questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, 515 Kansas Avenue, Atchison, Kansas 66002.

Basic Financial Statements

2012

CITY OF ATCHISON, KANSAS
STATEMENT OF NET POSITION

December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Public Library
Assets:				
Cash and cash equivalents	\$ 3,040,712	\$ 3,603,742	\$ 6,644,454	\$ 396,709
Restricted cash	-	1,782,230	1,782,230	-
Investments	-	-	-	43,518
Receivables, net of allowance for uncollectibles:				
Taxes	3,220,791	159,874	3,380,665	412,902
Intergovernmental	387,084	294,847	681,931	-
Accounts	47,975	706,498	754,473	-
Deferred charges	29,272	63,647	92,919	-
Due from fiduciary fund	74,867	-	74,867	-
Capital assets, net of accumulated depreciation:				
Land	2,246,432	101,537	2,347,969	8,995
Construction in progress	270,072	1,600,938	1,871,010	-
Books	-	-	-	51,764
Buildings and systems	776,715	20,450,892	21,227,607	668,152
Improvements	5,289,771	-	5,289,771	-
Machinery and equipment	967,291	700,498	1,667,789	13,610
Infrastructure	7,174,112	-	7,174,112	-
Total assets	<u>23,525,094</u>	<u>29,464,703</u>	<u>52,989,797</u>	<u>1,595,650</u>
Liabilities:				
Accounts payable	209,078	378,339	587,417	8,351
Accrued liabilities	115,473	30,520	145,993	3,648
Accrued interest payable	34,208	100,241	134,449	-
Unearned revenue	2,816,142	-	2,816,142	412,902
Noncurrent liabilities:				
Due within one year	644,835	948,403	1,593,238	7,614
Due in more than one year	3,674,558	10,107,375	13,781,933	4,452
Total liabilities	<u>7,494,294</u>	<u>11,564,878</u>	<u>19,059,172</u>	<u>436,967</u>
Net position:				
Net investment in capital assets	13,313,242	11,908,638	25,221,880	742,521
Restricted for:				
Debt service	182,072	-	182,072	-
Other purposes	82,400	-	82,400	11,077
Capital projects	291,239	-	291,239	-
Children's library	-	-	-	60,000
Unrestricted	2,161,847	5,991,187	8,153,034	345,085
Total net position	<u>\$ 16,030,800</u>	<u>\$ 17,899,825</u>	<u>\$ 33,930,625</u>	<u>\$ 1,158,683</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Public Library
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 2,288,605	\$ 332,317	\$ 122,662	\$ 382,078	\$ (1,451,548)	\$ -	\$ (1,451,548)	\$ -
Public safety	3,080,529	113,084	283	-	(2,967,162)	-	(2,967,162)	-
Public works	1,815,676	141,045	284,495	163,721	(1,226,415)	-	(1,226,415)	-
Parks and recreation	306,470	-	39,602	-	(266,868)	-	(266,868)	-
Interest on long-term debt	119,877	-	-	-	(119,877)	-	(119,877)	-
Total governmental activities	<u>7,611,157</u>	<u>586,446</u>	<u>447,042</u>	<u>545,799</u>	<u>(6,031,870)</u>	<u>-</u>	<u>(6,031,870)</u>	<u>-</u>
Business-type activities:								
Water	2,521,121	3,888,189	-	1,034,638	-	2,401,706	2,401,706	-
Wastewater	1,905,811	1,808,743	-	185,278	-	88,210	88,210	-
Refuse	384,657	504,428	-	-	-	119,771	119,771	-
Total business-type activities	<u>4,811,589</u>	<u>6,201,360</u>	<u>-</u>	<u>1,219,916</u>	<u>-</u>	<u>2,609,687</u>	<u>2,609,687</u>	<u>-</u>
Total primary government	<u>\$ 12,422,746</u>	<u>\$ 6,787,806</u>	<u>\$ 447,042</u>	<u>\$ 1,765,715</u>	<u>(6,031,870)</u>	<u>2,609,687</u>	<u>(3,422,183)</u>	<u>-</u>
Component unit:								
Public Library	<u>\$ 572,094</u>	<u>\$ 16,391</u>	<u>\$ 30,149</u>	<u>\$ 217,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(307,748)</u>
General revenues:								
Property taxes					3,211,414	-	3,211,414	459,537
Sales taxes					1,651,096	996,021	2,647,117	-
Franchise taxes					1,323,711	-	1,323,711	-
Payment in lieu of taxes					24,033	-	24,033	-
Unrestricted investment earnings					27,157	24,318	51,475	2,001
Gain on sale of capital assets					13,522	-	13,522	-
Transfers					792,507	(792,507)	-	-
Total general revenues and transfers					<u>7,043,440</u>	<u>227,832</u>	<u>7,271,272</u>	<u>461,538</u>
Change in net position					<u>1,011,570</u>	<u>2,837,519</u>	<u>3,849,089</u>	<u>153,790</u>
Net position, beginning of year					<u>15,019,230</u>	<u>15,062,306</u>	<u>30,081,536</u>	<u>1,004,893</u>
Net position, end of year					<u>\$ 16,030,800</u>	<u>\$ 17,899,825</u>	<u>\$ 33,930,625</u>	<u>\$ 1,158,683</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2012

	General*	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 2,652,857	\$ 23,655	\$ 364,200	\$ 3,040,712
Receivables (net of allowance for uncollectibles):				
Taxes	2,732,824	-	487,967	3,220,791
Intergovernmental	-	384,057	3,027	387,084
Accounts	47,975	-	-	47,975
Due from fiduciary fund	-	74,867	-	74,867
Total assets	\$ 5,433,656	\$ 482,579	\$ 855,194	\$ 6,771,429
Liabilities and fund balances:				
Liabilities:				
Accounts payable	\$ 166,231	\$ 39,188	\$ 3,659	\$ 209,078
Accrued payroll	115,473	-	-	115,473
Deferred revenue	2,328,175	-	487,967	2,816,142
Total liabilities	2,609,879	39,188	491,626	3,140,693
Fund balances:				
Restricted:				
Substance abuse prevention and emergency shelter	-	-	16,592	16,592
Capital projects and maintenance	-	291,239	44,028	335,267
Public safety	-	-	1,920	1,920
Parks and recreation facilities	-	-	19,860	19,860
Debt service	-	-	216,280	216,280
Assigned	750,488	152,152	64,888	967,528
Unassigned	2,073,289	-	-	2,073,289
Total fund balances	2,823,777	443,391	363,568	3,630,736
Total liabilities and fund balances	\$ 5,433,656	\$ 482,579	\$ 855,194	\$ 6,771,429

* See the General Fund Combining Balance Sheet on page 71

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION

December 31, 2012

Total fund balance in governmental fund balance sheet	\$ 3,630,736
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,724,393
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,324,329)</u>
Net position of governmental activities	<u><u>\$ 16,030,800</u></u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended December 31, 2012

	General*	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 2,665,676	\$ -	\$ 545,738	\$ 3,211,414
Sales	1,651,096	-	-	1,651,096
Franchise	1,323,711	-	-	1,323,711
Payments in lieu of taxes	24,033	-	-	24,033
Intergovernmental	160,647	382,049	368,659	911,355
Licenses and permits	104,016	-	-	104,016
Charges for services	167,535	-	-	167,535
Fines and fees	148,168	-	-	148,168
Special assessments	-	-	29,162	29,162
Interest on investments	18,606	5,448	3,102	27,156
Other	132,057	32,217	51,277	215,551
Total revenues	6,395,545	419,714	997,938	7,813,197
Expenditures:				
Current:				
General government	1,520,816	-	215,063	1,735,879
Public works	1,556,253	-	-	1,556,253
Public safety	2,854,447	-	13,065	2,867,512
Parks and recreation	250,160	-	8,460	258,620
Debt service:				
Principal	22,544	17,808	525,000	565,352
Interest and fiscal charges	5,820	-	135,772	141,592
Capital outlay	191,896	1,266,445	-	1,458,341
Total expenditures	6,401,936	1,284,253	897,360	8,583,549
Excess/(deficiency) of revenues over (under) expenditures	(6,391)	(864,539)	100,578	(770,352)
Other financing sources (uses):				
Sale of capital assets	58,502	-	-	58,502
Transfers in	819,547	284,372	-	1,103,919
Transfers out	(167,372)	-	(140,000)	(307,372)
Total other financing sources (uses)	710,677	284,372	(140,000)	855,049
Net change in fund balances	704,286	(580,167)	(39,422)	84,697
Fund balances, beginning of year	2,119,491	1,023,558	402,990	3,546,039
Fund balances, end of year	\$ 2,823,777	\$ 443,391	\$ 363,568	\$ 3,630,736

*See the General Fund Combining Statement of Revenues, Expenditures and Changes in Fund Balances on page 72

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$ 84,697
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	571,469
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations) is to decrease net position.	(10,237)
Revenues recorded in the statement of activities that do not provide current financial resources are not recorded in the governmental funds.	(31,245)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	565,352
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(168,466)</u>
Change in net position of governmental activities	<u>\$ 1,011,570</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2012

	Water	Wastewater	Nonmajor Fund Refuse	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,989,701	\$ 1,374,757	\$ 239,284	\$ 3,603,742
Restricted cash	-	1,782,230	-	1,782,230
Receivables (net of allowance for uncollectibles):				
Accounts	438,118	201,582	66,798	706,498
Intergovernmental	294,847	-	-	294,847
Taxes	-	159,874	-	159,874
Total current assets	<u>2,722,666</u>	<u>3,518,443</u>	<u>306,082</u>	<u>6,547,191</u>
Noncurrent assets:				
Deferred charges	63,647	-	-	63,647
Capital assets:				
Land	84,396	17,141	-	101,537
Buildings and systems	21,157,376	15,841,689	-	36,999,065
Machinery and equipment	979,224	853,469	322,215	2,154,908
Construction in progress	327,283	1,273,655	-	1,600,938
Less accumulated depreciation	(8,883,163)	(8,812,196)	(307,224)	(18,002,583)
Total noncurrent assets	<u>13,728,763</u>	<u>9,173,758</u>	<u>14,991</u>	<u>22,917,512</u>
Total assets	<u>16,451,429</u>	<u>12,692,201</u>	<u>321,073</u>	<u>29,464,703</u>
Liabilities:				
Current liabilities:				
Accounts payable	160,247	178,636	39,456	378,339
Accrued payroll	20,456	5,010	5,054	30,520
Accrued interest payable	77,748	22,493	-	100,241
Accrued compensated absences - current	26,727	11,460	3,444	41,631
Leases payable - current	39,937	-	-	39,937
General obligation bonds - current	866,835	-	-	866,835
Total current liabilities	<u>1,191,950</u>	<u>217,599</u>	<u>47,954</u>	<u>1,457,503</u>
Noncurrent liabilities:				
Accrued compensated absences	41,055	26,694	1,171	68,920
Loans payable	2,986,146	2,462,441	-	5,448,587
Leases payable	127,291	-	-	127,291
General obligation bonds payable, net	4,462,577	-	-	4,462,577
Total noncurrent liabilities	<u>7,617,069</u>	<u>2,489,135</u>	<u>1,171</u>	<u>10,107,375</u>
Total liabilities	<u>8,809,019</u>	<u>2,706,734</u>	<u>49,125</u>	<u>11,564,878</u>
Net position:				
Net investment in capital assets	5,182,330	6,711,317	14,991	11,908,638
Unrestricted	2,460,080	3,274,150	256,957	5,991,187
Total net position	<u>\$ 7,642,410</u>	<u>\$ 9,985,467</u>	<u>\$ 271,948</u>	<u>\$ 17,899,825</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS

Year Ended December 31, 2012

	Water	Wastewater	Nonmajor Fund Refuse	Total
Operating revenues:				
Charges for sales and services	\$ 3,888,189	\$ 1,808,743	\$ 504,428	\$ 6,201,360
Operating expenses:				
Personnel services	617,670	378,127	263,554	1,259,351
Contractual services	423,378	899,767	15,926	1,339,071
Supplies	367,384	30,110	76,964	474,458
Utilities	287,095	145,780	4,622	437,497
Depreciation and amortization	584,572	390,763	23,591	998,926
Total operating expenses	<u>2,280,099</u>	<u>1,844,547</u>	<u>384,657</u>	<u>4,509,303</u>
Operating income (loss)	<u>1,608,090</u>	<u>(35,804)</u>	<u>119,771</u>	<u>1,692,057</u>
Nonoperating revenues (expenses):				
Sales tax	-	996,021	-	996,021
Interest revenue	6,687	16,399	1,232	24,318
Interest expense	(241,022)	(61,264)	-	(302,286)
Total nonoperating revenues (expenses)	<u>(234,335)</u>	<u>951,156</u>	<u>1,232</u>	<u>718,053</u>
Income before transfers and capital contributions	1,373,755	915,352	121,003	2,410,110
Capital contributions	1,038,678	185,278	-	1,223,956
Transfers in	-	190,856	-	190,856
Transfers out	(543,403)	(284,000)	(160,000)	(987,403)
Change in net position	<u>1,869,030</u>	<u>1,007,486</u>	<u>(38,997)</u>	<u>2,837,519</u>
Total net position, beginning of year	<u>5,773,380</u>	<u>8,977,981</u>	<u>310,945</u>	<u>15,062,306</u>
Total net position, end of year	<u>\$ 7,642,410</u>	<u>\$ 9,985,467</u>	<u>\$ 271,948</u>	<u>\$ 17,899,825</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended December 31, 2012

	Water	Wastewater	Nonmajor Fund Refuse	Total
Cash flows from operating activities:				
Receipts from customers	\$ 3,841,214	\$ 1,789,467	\$ 502,423	\$ 6,133,104
Payments to suppliers	(1,055,306)	(920,019)	(67,185)	(2,042,510)
Payments to employees	(606,614)	(375,092)	(275,245)	(1,256,951)
Net cash provided by operating activities	2,179,294	494,356	159,993	2,833,643
Cash flows from noncapital financing activities:				
Transfers in from other funds	-	190,856	-	190,856
Transfers to other funds	(543,403)	(284,000)	(160,000)	(987,403)
Net cash used in noncapital financing activities	(543,403)	(93,144)	(160,000)	(796,547)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(401,162)	(1,302,996)	-	(1,704,158)
Principal paid on general obligation debt	(607,192)	-	-	(607,192)
Proceeds from capital debt	295,297	365,016	-	660,313
Principal paid on capital debt	(85,038)	(177,575)	-	(262,613)
Principal paid on capital leases	(38,772)	-	-	(38,772)
Receipt of sales tax	-	1,005,556	-	1,005,556
Proceeds from capital grants	116,967	185,278	-	302,245
Interest paid on general obligation debt	(259,966)	(63,358)	-	(323,324)
Net cash provided by (used in) capital and related financing activities	(979,866)	11,921	-	(967,945)
Cash flows from investing activities:				
Interest received	6,687	16,399	1,232	24,318
Net increase in cash and cash equivalents	662,712	429,532	1,225	1,093,469
Cash and cash equivalents and restricted cash, beginning of year	1,326,989	2,727,455	238,059	4,292,503
Cash and cash equivalents and restricted cash, end of year	\$ 1,989,701	\$ 3,156,987	\$ 239,284	\$ 5,385,972

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

(Continued)

Year Ended December 31, 2012

	Water	Wastewater	Nonmajor Fund Refuse	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 1,608,090	\$ (35,804)	\$ 119,771	\$ 1,692,057
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Items not requiring cash:				
Depreciation and amortization expense	584,572	390,763	23,591	998,926
Changes in:				
Accounts receivable	(46,975)	(19,276)	(2,005)	(68,256)
Accounts payable	22,551	155,638	30,327	208,516
Accrued compensated absences	3,757	1,818	(12,679)	(7,104)
Accrued payroll	7,299	1,217	988	9,504
Net cash provided by operating activities	<u>\$ 2,179,294</u>	<u>\$ 494,356</u>	<u>\$ 159,993</u>	<u>\$ 2,833,643</u>

Noncash capital financing activities:

Contributions of capital assets of \$ 4,040 were acquired in the water fund
 from other governmental funds.

ARRA loan forgiveness of \$ 909,359 was applied to the loan payable balance in the water fund.

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

December 31, 2012

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	<u>\$ 200,210</u>
Liabilities:	
Due to others	<u>\$ 200,210</u>

See accompanying notes to basic financial statements.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Atchison, Kansas (the City) was incorporated in 1858. The City operates under a City Commission - Manager form of government. The accompanying basic financial statements present the City (the primary government) and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for the description) to emphasize that it is legally separate from the City.

Discretely Presented Component Unit. The Public Library (the Library) is operated by a Library Board which is appointed by the City Commission. The City levies and collects a special library tax to subsidize the Library's operations. The Library's operating budget is limited to seven mills by charter ordinance of the City Commission. The City must approve acquisition or disposition of real property by the Library, but the Library owns the capital assets. Bond issuances must also be approved by the City. The Library is presented as a governmental fund type. Separately issued financial statements for the Library are not available.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The agency funds do not have a measurement focus and use the accrual basis of accounting to report their financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental funds revenues except property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. While property taxes receivable are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by deferred revenue accounts.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund accounts for the general operating transactions of the City including public safety, public works, parks, recreation, and administration.

The capital projects fund is a fund used by the City for the acquisition and construction of major facilities other than those financed by the enterprise funds.

The City reports the following major proprietary funds:

The water fund accounts for the operation and maintenance activities of the City's water distribution system.

The wastewater fund accounts for the operation and maintenance activities of the City's wastewater collection and treatment system.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the City reports the following fund type:

Agency funds are used to report resources held by the City in a custodial capacity for remittance to private organizations. These funds are held on behalf of Amelia Earhart Festival, Santa Fe Depot Enhancement, Veteran's Memorial Park, Jackson Park Revitalization and the White Clay Watershed District.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water/wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater funds are charges to customers for sales and services. Operating expenses for the water and wastewater funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pooled Cash and Investments

Cash and cash equivalents of the individual funds are combined to form a pool that is managed by the Director of Finance. Each fund's equity in the pool is included in "cash and cash equivalents" in the financial statements. These pooled funds consist of operating accounts. Investment earnings, including interest income, are allocated to the funds required to accumulate interest; other investment earnings are allocated based on management discretion and upon their average monthly equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund. For the fiscal year ended December 31, 2012, interest earnings allocated to the various funds were \$ 51,475.

Cash Flows Statement

For purposes of the cash flows statement, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records a trade accounts receivable allowance based on percentages of collection estimated from the aging of the accounts receivable. At December 31, 2012, an allowance for uncollectible receivables of approximately \$ 433,000 has been recorded.

CITY OF ATCHISON, KANSAS
 NOTES TO BASIC FINANCIAL STATEMENTS
 (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds deferred revenue is reported as follows:

General fund property tax receivable	\$ 2,328,175
Debt service fund property tax receivable	<u>487,967</u>
	<u><u>\$ 2,816,142</u></u>

Property Taxes

The City's property taxes are levied each year on the assessed value of all real estate listed as of the prior January 1, the lien date. Assessed values are established by the Atchison County Assessor. The assessed value for property located in the City on which the 2012 levy was based was \$ 61,422,036.

Property taxes are legally restricted for use in financing operations of the ensuing year. Accordingly, the City defers revenue recognition until the year for which they are to be used. Property taxes are levied on November 1. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. Property taxes become delinquent on December 20 of each fiscal year if the taxpayer has not remitted at least one-half of the amount due. The 2011 tax levy per \$ 1,000 of assessed valuation which supports the 2012 budget was as follows:

General Fund	\$ 39.296
Debt Service Fund	8.002
Component unit:	
Public Library	<u>6.771</u>
	<u><u>\$ 54.069</u></u>

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

Taxes receivable represent property taxes levied for 2012 and prior years that have not yet been collected, net of estimated uncollectibles.

Restricted Assets

Restricted cash is set aside in the wastewater fund for wastewater capital improvements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$ 2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

Buildings and systems	20 - 40 years
Improvements	20 years
Machinery and equipment	3 - 10 years
Infrastructure	40 years

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee with twenty years of service or more will receive accumulated sick leave up to a maximum of 120 days and all accumulated vacation leave, provided the employee has met all conditions set forth in Section VI of the City's personnel policy. An employee with fifteen to twenty years of service will receive one-half of accumulated sick leave, which is limited to a maximum of forty-five days, and all accumulated vacation leave in the event of termination. An employee with ten to fifteen years of service will receive one-fourth of accumulated sick leave, which is limited to a maximum of fifteen days, and all accumulated vacation leave in the event of termination. All vacation pay is accrued when incurred and the varying amounts of accumulated sick leave are accrued upon attaining ten, fifteen and twenty years of service in the government-wide and proprietary financial statements. In the governmental fund financial statements, a liability is accrued when it has matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2012, fund balances for governmental funds are made up of the following:

Nonspendable fund balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed fund balance – includes amounts that can only be spent for specific purposes determined by a formal action (adoption of an ordinance) of the City’s highest level of decision-making authority, the City Commission. Commitments may be changed or lifted only by the City Commission taking the same formal action that imposed the constraint originally.

Assigned fund balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City Commission or (2) a body or official to which the City Commission has delegated the authority to assign amounts to be used for specific purposes, the City’s finance director.

Unassigned fund balance – is the residual classification for the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

Unsecured credit is extended to customers for water and sewer fees and charges for services. Intergovernmental receivables include unsecured amounts due from federal, state and county agencies for various grant programs. Credit is extended to citizens for special assessments levied by the City for capital improvements. These assessments are secured by liens on the related properties.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pending Governmental Accounting Standards Board Statements

At December 31, 2012, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, was issued in November 2010. The objective of this statement is to improve financial reporting by modifying certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria and guidance for reporting component units as if they were part of the primary government (that is, blending). Additionally, this statement requires a primary government to report its equity interest in a component unit as an asset. The provisions of this statement are effective for periods beginning after June 15, 2012.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflow of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term “deferred” in financial statement presentations. In addition, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. Accounting changes adopted to conform to the provisions of the Statement should be applied retroactively by restating financial statements, if practical, for all periods presented.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, was issued in June 2012. The objective of this statement is to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and to enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This statement enhances decision-usefulness and accountability through new note disclosures and required supplementary information. This statement also improves the consistency and transparency of the information reported by employers and governmental nonemployer contributing entities about pension transactions. Additionally, this statement improves the comparability of reported pension information through changes related to the attribution method used to determine service cost and the total pension liability, requirements for immediate recognition in pension expense of certain items, and the establishment of standardized expense recognition periods for amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions. The provisions of this statement are effective for periods beginning after June 15, 2014.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ 4,324,329 difference are as follows:

Bonds payable	\$ (3,309,868)
Capital leases payable	(101,283)
Accrued interest payable	(34,208)
Deferred charges for issuance costs	29,272
Compensated absences	(636,583)
Net other postemployment benefit obligation	<u>(271,659)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (4,324,329)</u></u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 571,469 difference are as follows:

Capital outlay	\$ 1,361,368
Depreciation expense	<u>(789,899)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	<u><u>\$ 571,469</u></u>

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$ 565,352 difference are as follows:

Principal repayments:	
General obligation debt	\$ 542,808
Capital leases	22,544
	<hr/>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ 565,352
	<hr/> <hr/>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$ 168,466 difference are as follows.

Compensated absences	\$ (97,174)
Amortization of bond issuance costs	(1,568)
Accrued interest	23,283
Net other postemployment benefit obligation	(93,007)
	<hr/>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities	\$ (168,466)
	<hr/> <hr/>

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Stewardship, Compliance and Accountability

Budgetary Information

Applicable Kansas statutes require that budgets be legally adopted for all funds unless exempted by a specific statute. Legal operating budgets are required for the General, Special Alcohol, Special Parks and Recreation, Motor Fuel, and the Debt Service Funds. Budgets are not required for the Law Enforcement, DARE, Grants, Insurance Reserve, Capital Projects, Municipal Equipment Reserve, Water, Wastewater and Refuse Funds. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting - that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

Kansas statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no amendments to the original budget for the year ended December 31, 2012.

Under Kansas statutes management cannot amend the total budget of a fund without approval of the governing body; however, the statutes permit transferring budgeted amounts between line items within an individual fund or department. Therefore, the legal level of control is at the fund level for all legally adopted budgets. The City has elected to pursue a policy of requiring approval of the City Manager on major category changes exceeding \$ 5,000. City Commission approval is not needed for category changes or budget transfers within an approved budget. Major category means total personnel services, total contractual services, total materials and supplies, total other charges, or total capital outlay.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments

Credit risk

Kansas statutes authorize the City and the Library, with certain restrictions, to deposit or invest in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury Bills and Notes, the municipal investment pool, or to make direct investments. City Resolution 4896 further limits the investment of temporarily idle funds of the City to either, or all, of the following:

1. Direct obligations of the United States Government.
2. Temporary notes of the City.
3. Interest bearing certificates of deposit of the depository banks of the City.
4. Interest bearing accounts with federally insured savings and loan associations in such amounts not exceeding such federal insurance.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City. At December 31, 2012, the City's deposits were not exposed to custodial credit risk. The deposits for the Library, including certificates of deposit classified as investments on the statement of net position, were not exposed to custodial credit risk.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,884,933	\$ 361,499	\$ -	\$ 2,246,432
Construction in progress	846,194	100,996	(677,118)	270,072
Total capital assets not being depreciated	<u>2,731,127</u>	<u>462,495</u>	<u>(677,118)</u>	<u>2,516,504</u>
Capital assets being depreciated:				
Buildings and systems	2,446,697	33,115	-	2,479,812
Improvements	7,641,674	6,983	-	7,648,657
Machinery and equipment	3,956,023	220,025	(139,535)	4,036,513
Infrastructure	18,834,622	1,315,868	-	20,150,490
Total capital assets being depreciated	<u>32,879,016</u>	<u>1,575,991</u>	<u>(139,535)</u>	<u>34,315,472</u>
Less accumulated depreciation for:				
Buildings and systems	(1,666,733)	(36,364)	-	(1,703,097)
Improvements	(2,091,662)	(267,224)	-	(2,358,886)
Machinery and equipment	(2,939,812)	(258,708)	129,298	(3,069,222)
Infrastructure	(12,748,775)	(227,603)	-	(12,976,378)
Total accumulated depreciation	<u>(19,446,982)</u>	<u>(789,899)</u>	<u>129,298</u>	<u>(20,107,583)</u>
Total capital assets being depreciated, net	<u>13,432,034</u>	<u>786,092</u>	<u>(10,237)</u>	<u>14,207,889</u>
Governmental activities capital assets, net	<u>\$ 16,163,161</u>	<u>\$ 1,248,587</u>	<u>\$ (687,355)</u>	<u>\$ 16,724,393</u>

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 101,537	\$ -	\$ -	\$ 101,537
Construction in progress	256,942	1,509,268	(165,272)	1,600,938
Total capital assets not being depreciated	358,479	1,509,268	(165,272)	1,702,475
Capital assets being depreciated:				
Buildings and systems	36,736,181	262,884	-	36,999,065
Machinery and equipment	2,128,952	101,318	(75,362)	2,154,908
Total capital assets being depreciated	38,865,133	364,202	(75,362)	39,153,973
Less accumulated depreciation for:				
Buildings and systems	(15,789,928)	(758,245)	-	(16,548,173)
Machinery and equipment	(1,317,319)	(212,453)	75,362	(1,454,410)
Total accumulated depreciation	(17,107,247)	(970,698)	75,362	(18,002,583)
Total capital assets being depreciated, net	21,757,886	(606,496)	-	21,151,390
Business-type activities capital assets, net	\$ 22,116,365	\$ 902,772	\$ (165,272)	\$ 22,853,865

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 435,418
Public safety	143,418
Public works	179,092
Parks and recreation	31,971
Total depreciation expense - governmental activities	\$ 789,899
Business-type activities:	
Water	\$ 556,344
Wastewater	390,763
Refuse	23,591
Total depreciation expense - business-type activities	\$ 970,698

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets (Continued)

Discretely Presented Component Unit

Capital asset activity for the Library for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Library:				
Capital assets not being depreciated:				
Land	\$ 8,995	\$ -	\$ -	\$ 8,995
Capital assets being depreciated:				
Buildings and systems	586,947	300,594	-	887,541
Books	572,557	39,177	(57,967)	553,767
Machinery and equipment	60,128	-	-	60,128
Total capital assets being depreciated	1,219,632	339,771	(57,967)	1,501,436
Less accumulated depreciation for:				
Buildings and systems	(195,403)	(23,986)	-	(219,389)
Books	(530,741)	(29,229)	57,967	(502,003)
Machinery and equipment	(42,625)	(3,893)	-	(46,518)
Total accumulated depreciation	(768,769)	(57,108)	57,967	(767,910)
Total capital assets being depreciated, net	450,863	282,663	-	733,526
Library capital assets, net	\$ 459,858	\$ 282,663	\$ -	\$ 742,521

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired prior to July 1, 2009. K.S.A. 74-49,210 establishes the KPERS member-employee contribution rate at 6% of covered salary for all employees hired after July 1, 2009. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% 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 and KP&F are 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 January through March and July through December 2012 was 8.34%. The KPERS employer rate established by statute for April through June 2012 was 7.34%. The City's employer contributions to KPERS for the years ending December 31, 2012, 2011, and 2010 were \$ 171,805, \$ 155,232, and \$ 139,964, respectively, equal to the statutory required contributions for each year. The City's KP&F uniform participating employer rate established for calendar year 2012 is 17.54%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The contributions to KP&F for the years ending December 31, 2012, 2011, and 2010 were approximately \$ 305,000, \$ 281,000, and \$ 227,000, respectively, equal to the statutory required contributions for each year.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Other Postemployment Healthcare Benefits

Description. The City offers postemployment health insurance to retired employees. The benefits are provided through a single employer defined benefit postemployment healthcare plan administered by the City. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The medical insurance benefit provides the same coverage for retirees and their dependents as for active employees and their dependents. The benefit is available for selection at retirement and is extended to early retirees with at least ten years of service and their dependents until the individuals become eligible for Medicare at 65. The plan does not issue a stand-alone financial report.

Funding Policy. The City provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees. The City requires participating retirees to contribute 100 percent of the composite premium cost of active employees to maintain coverage.

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the General Fund. In 2012, the City contributed \$ 2,265 to the plan and participating retirees contributed \$ 10,555.

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB (other post employment benefit) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Other Postemployment Healthcare Benefits (Continued)

Annual required contribution	\$ 98,060
Interest on net OPEB obligation	7,146
Adjustment to annual required contribution	<u>(9,934)</u>
Annual OPEB cost (expense)	95,272
Contributions made	<u>(2,265)</u>
Increase in net OPEB obligation	93,007
Net OPEB obligation, January 1, 2012	<u>178,652</u>
Net OPEB obligation, December 31, 2012	<u><u>\$ 271,659</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and each of the two preceding years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 38,228	25%	\$ 87,274
2011	\$ 96,698	5%	\$ 178,652
2012	\$ 95,272	2%	\$ 271,659

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Other Postemployment Healthcare Benefits (Continued)

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$ 715,731. The City's policy is to fund the benefits on a pay-as-you-go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 715,731. The covered payroll (annual payroll of active employees covered by the plan) was \$ 4,301,658 and the ratio of the UAAL to the covered payroll was 16.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 4.0 percent discount rate, which reflects the expected returns of asset classes stipulated in the investment policy underlying idle funds and recent return experience with cash flows that match the expected benefit payments to the City's current and future retirees. The valuation assumed annual healthcare cost trend rates of 8.0, 7.5, 7.0, 6.5, 6.0, 5.5, and 5.0 percent in the first seven years and an ultimate rate of 5.0 percent thereafter. The valuation assumed a 3.0 percent inflation rate. The UAAL is being amortized using the level dollar of projected payroll method over a period of 30 years with the remaining amortization period of 29 years. The amortization period used is open.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Risk Management

The City is exposed to various risks of loss related to torts; damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

9 - Commitments and Contingencies

Capital Projects

The City has the following projects in progress at December 31, 2012:

	Costs to Date	Amount Authorized
	<hr/>	<hr/>
General government:		
4th street reconstruction	\$ 15,771	\$ 102,110
AE bridge lights	40,000	100,000
Airport master plan	55,700	55,700
Airport taxiway	108,275	474,240
Conference center plan	50,326	189,223
	<hr/>	<hr/>
	\$ 270,072	\$ 921,273
	<hr/> <hr/>	<hr/> <hr/>
Wastewater:		
CSO 11th and 14th	\$ 209,900	\$ 496,000
Nutrient removal	29,100	29,100
WWTP UV disinfection system	1,034,655	1,123,139
	<hr/>	<hr/>
	\$ 1,273,655	\$ 1,648,239
	<hr/> <hr/>	<hr/> <hr/>
Water:		
DBP study/design/installation	\$ 219,427	\$ 4,983,011
Ground storage tank	77,344	3,238,990
RWI pump 2	5,765	100,333
VFW booster pump station	23,922	1,197,983
WeMac hydrant	825	18,018
	<hr/>	<hr/>
	\$ 327,283	\$ 9,538,335
	<hr/> <hr/>	<hr/> <hr/>

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Commitments and Contingencies (Continued)

Litigation

There are a number of claims and/or lawsuits to which the City is a party as a result of the ordinary course of City activities. The City management and legal counsel anticipate that the potential claims against the City not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the City.

Industrial Revenue Bonds

The City has issued industrial revenue bonds to finance the purchase of land and construction of facilities leased to local businesses. The lease agreements provide for rentals sufficient to service the related bonds. The debt service on these issues is paid solely from lease agreements; these issues do not constitute a debt of the City. The lessees have the option of purchasing the leased properties at any time during the lease periods for amounts sufficient to retire the related outstanding bonds. At the end of the lease periods, which conform to bond maturity schedules, the lessees may either purchase the property for a nominal amount or renew the leases annually at nominal amounts. As of December 31, 2012, industrial revenue bonds of \$ 44,582,908 are outstanding.

10 - Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

General obligation bonds payable at December 31, 2012 are comprised of the following issues:

	Callable Date	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2012	Outstanding December 31, 2012
General Obligation Bonds:						
Governmental activities:						
Series 2002-A	9/1/2010	3.50% to 4.15%	\$ 1,748,000	2012	\$ 240,000	\$ -
Series 2004-A	9/1/2012	2.90% to 3.70%	500,000	2014	55,000	115,000
Series 2007-A	9/1/2015	3.50% to 4.00%	2,300,000	2017	230,000	1,290,000
Series 2010-A	N/A	2.00% to 2.50%	110,319	2018	17,808	74,868
Series 2011-A	9/1/2019	2.00% to 4.15%	1,830,000	2031	-	1,830,000
					542,808	3,309,868
Business-type activities:						
Series 2010-A	N/A	2.00% to 2.50%	6,124,681	2018	607,192	5,435,132
					607,192	5,435,132
					\$ 1,150,000	\$ 8,745,000

The installment ranges for the general obligation bonds are the following:

	Installment Range	
	Low	High
General Obligation Bonds:		
Governmental activities:		
Series 2004-A	\$ 55,000	\$ 60,000
Series 2007-A	240,000	280,000
Series 2010-A	18,165	19,277
Series 2011-A	25,000	165,000
Business-type activities:		
Series 2010-A	866,000	975,000

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

The future annual requirements for general obligation bonds outstanding as of December 31, 2012 are as follows:

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 443,165	\$ 102,623	\$ 866,835	\$ 120,204
2014	458,529	89,122	891,472	102,868
2015	408,898	74,933	911,102	85,038
2016	424,276	62,337	930,723	66,816
2017	425,000	49,080	975,000	45,875
2018-2022	775,000	137,820	860,000	21,500
2023-2027	265,000	42,105	-	-
2028-2032	110,000	11,828	-	-
	<u>\$ 3,309,868</u>	<u>\$ 569,848</u>	<u>\$ 5,435,132</u>	<u>\$ 442,301</u>

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases and therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:		
Fire truck		\$ 246,422
Less accumulated depreciation		<u>(246,422)</u>
Net book value		<u>\$ -</u>
Jet Vac truck		\$ 206,000
Less accumulated depreciation		<u>(67,544)</u>
Net book value		<u>\$ 138,456</u>

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

Capital Leases (Continued)

The following is a schedule of future minimum lease payments for capital leases as of December 31, 2012:

	Governmental Activities	Business-type Activities
2013	\$ 28,364	\$ 45,037
2014	28,364	45,037
2015	28,364	45,037
2016	28,364	45,037
	113,456	180,148
Amount representing interest	12,173	12,920
	\$ 101,283	\$ 167,228

Revolving Loans Payable

The City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) on August 21, 2009. According to the agreement, KDHE will loan an amount not to exceed \$ 3,834,075 to the City for the purpose of replacing over 24,000 feet of deteriorated water line and constructing a new pump station. The interest rate on the loan is 3.75%. The first payment of principal and interest on the loan is to be made the earlier of two years after receipt by the City of the first disbursement under the loan or one year after project completion. The City was informed by KDHE on February 26, 2010 that principal forgiveness equal to 32% of the total construction contract amount as of February 17, 2010 was granted using American Recovery and Reinvestment Act (ARRA) funds. The project was completed in 2012 and the loan amount was finalized, and the repayment schedule was revised to reflect the amount of principal forgiven. The principal forgiven totaled \$909,359. As of December 31, 2012, \$ 3,751,112 of the available loan balance has been drawn down. Project costs of \$ 3,702,333 and \$ 48,779 of capitalized interest and fees have been incurred for this project. Principal and interest payments of \$ 85,038 and \$ 110,214, respectively, were made during 2012. The outstanding balance of \$ 2,704,453 is shown as a liability in the water fund.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

Revolving Loans Payable (Continued)

The City entered into another loan agreement with the Kansas Department of Health and Environment (KDHE) during 2010. According to the agreement, KDHE will loan an amount not to exceed \$ 3,657,035 to the City for the purpose of wastewater force main upgrades. The interest rate on the loan is 3.75%. The first payment of principal and interest on the loan is to be made the earlier of two years after receipt by the City of the first disbursement under the loan or one year after project completion. Once the project is complete and the loan amount is finalized, the repayment schedule will be finalized. As of December 31, 2012, \$ 2,640,016 of the available loan balance has been drawn down and project costs of \$ 2,640,016 have been incurred for this project. Principal and interest payments of \$ 177,575 and \$ 57,721, respectively, were made during 2012. The outstanding balance of \$ 2,462,441 is shown as a liability in the wastewater fund.

During 2012, the City entered into a loan agreement with KDHE. According to the agreement, KDHE will loan an amount not to exceed \$ 4,995,500 to the City for the purpose of making improvements to the Atchison drinking water treatment plant. The interest rate on the loan is 2.23%. The first payment of principal and interest on the loan is to be made the earlier of two years after receipt by the City or the first disbursement under the loan or one year after project completion. Once the project is complete and the loan is finalized, the repayment schedule will be finalized. As of December 31, 2012, project costs of \$ 180,427 have been incurred. The outstanding balance of \$ 180,427 is shown as a liability in the water fund.

During 2012, the City entered into a loan agreement with KDHE. According to the agreement, KDHE will loan an amount not to exceed \$ 4,448,093 to the City for the purpose of replacing a pump station and constructing a new elevated water tower. The interest rate on the loan is 2.42%. The first payment of principal and interest on the loan is to be made the earlier of two years after receipt by the City or the first disbursement under the loan or one year after project completion. Once the project is complete and the loan is finalized, the repayment schedule will be finalized. As of December 31, 2012, \$ 0 of the available loan balance has been drawn down and project costs of \$ 101,266 have been incurred for this project. The outstanding balance of \$ 101,266 is shown as a liability in the water fund.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 3,852,676	\$ -	\$ (542,808)	\$ 3,309,868	\$ 443,165
Capital leases:					
Fire truck	123,827	-	(22,544)	101,283	23,604
Compensated absences	539,409	351,733	(254,559)	636,583	178,066
Net other postemployment benefit obligation	178,652	95,272	(2,265)	271,659	-
Governmental activities long-term liabilities	<u>\$ 4,694,564</u>	<u>\$ 447,005</u>	<u>\$ (822,176)</u>	<u>\$ 4,319,393</u>	<u>\$ 644,835</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 6,042,324	\$ -	\$ (607,192)	\$ 5,435,132	\$ 866,835
Less deferred amount on refunding	(233,492)	-	33,356	(200,136)	-
Plus issuance premiums	110,152	-	(15,736)	94,416	-
Loans payable	5,974,057	646,709	(1,172,179)	5,448,587	-
Capital leases:					
Jet Vac truck	206,000	-	(38,772)	167,228	39,937
Compensated absences	117,655	76,958	(84,062)	110,551	41,631
Business-type activities long-term liabilities	<u>\$ 12,216,696</u>	<u>\$ 723,667</u>	<u>\$ (1,884,585)</u>	<u>\$ 11,055,778</u>	<u>\$ 948,403</u>
Component unit Library:					
Compensated absences	<u>\$ 8,286</u>	<u>\$ 11,394</u>	<u>\$ (7,614)</u>	<u>\$ 12,066</u>	<u>\$ 7,614</u>

For the governmental activities, compensated absences and the net OPEB obligation are generally liquidated by the general fund.

CITY OF ATCHISON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Interfund Transactions

Interfund transfers for the year ended December 31, 2012 consisted of the following:

Transfers out	Transfers in		
	General fund	Capital projects fund	Wastewater fund
General fund	\$ -	\$ 167,372	\$ -
Nonmajor governmental funds	23,000	117,000	-
Water fund	352,547	-	190,856
Wastewater fund	284,000	-	-
Nonmajor enterprise funds	160,000	-	-
Total	<u>\$ 819,547</u>	<u>\$ 284,372</u>	<u>\$ 190,856</u>

Transfers are used to move revenues from the fund that statutes or the budget requires to collect them to the fund that statutes or the budget requires to expend them. Nonroutine transfers include transfers to the capital projects fund to fund capital projects and to the general fund to fund capital projects and from the water fund, wastewater fund, and nonmajor enterprise fund to the general fund for administrative services provided.

Capital asset transfers of \$ 4,040 occurred from the governmental activities to the business-type activities and are reported within transfers on the statement of activities.

CITY OF ATCHISON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Required Improvements to Sanitary Sewer Collection System

Based upon an administrative order dated January 20, 2004 from the Kansas Department of Health and Environment (KDHE), the City is required to make improvements and replacements to the City's sanitary sewer collection system. Under the terms of the administrative order, a study was performed by an engineer to determine the extent and cost of the repairs. A second administrative order was issued on September 9, 2009 with updated mandates and new deadlines. The City appealed this administrative order and required a hearing which was postponed pending consent agreement negotiations. The negotiations were successful and the consent agreement was agreed upon in 2011. The consent agreement sets forth timelines for completion of certain updates and repairs to the City's sanitary sewer collection system. The City is also required to provide a plan to raise revenue via residential, industrial, and commercial sewer rate increases, sales tax, stormwater fees or other means over the next five years to the equivalent of \$ 3.1 million annually (after five years) to operate, upgrade and maintain the current wastewater utility treatment facilities and to complete the mandated projects. The City is required to spend \$ 12.4 million over a period of the first zero to five years of the consent agreement.

13 - Commitments and Contingencies – Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for cash expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At December 31, 2012, the City's recorded encumbrances in budgeted governmental funds were as follows:

General	\$	68,821
Other nonmajor governmental funds		685
		<hr/>
	\$	69,506
		<hr/> <hr/>

Required Supplementary Information

2012

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ATCHISON, KANSAS

SCHEDULE OF FUNDING PROGRESS
POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ -	\$ 200,479	\$ 200,479	0.0%	\$ 4,177,973	4.8%
12/31/2011	\$ -	\$ 715,731	\$ 715,731	0.0%	\$ 4,301,658	16.6%

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Ad valorem taxes	\$ 2,328,175	\$ 2,333,161	\$ 4,986
Delinquent taxes	20,000	50,469	30,469
Motor vehicle taxes	264,981	277,186	12,205
Vehicle excise taxes	323	354	31
Payments in lieu of taxes	25,000	24,033	(967)
City sales taxes	1,525,000	1,651,096	126,096
Franchise taxes	1,089,800	1,323,711	233,911
Recreational vehicle taxes	2,075	1,995	(80)
16-20 M truck vehicle taxes	3,197	2,511	(686)
	<u>5,258,551</u>	<u>5,664,516</u>	<u>405,965</u>
Intergovernmental revenues:			
Special highway	60,500	63,374	2,874
Special liquor	30,028	34,088	4,060
FEMA grants	-	-	-
	<u>90,528</u>	<u>97,462</u>	<u>6,934</u>
Charges for services	<u>161,510</u>	<u>167,535</u>	<u>6,025</u>
Licenses and permits	<u>85,200</u>	<u>104,016</u>	<u>18,816</u>
Interest on investments	<u>5,800</u>	<u>15,016</u>	<u>9,216</u>
Fines and fees	<u>265,000</u>	<u>148,168</u>	<u>(116,832)</u>
Miscellaneous:			
Sales of cemetery lots	1,500	3,850	2,350
Other	12,500	10,534	(1,966)
Management fee - Watershed	42,900	42,900	-
	<u>56,900</u>	<u>57,284</u>	<u>384</u>
Total revenues	<u>\$ 5,923,489</u>	<u>\$ 6,253,997</u>	<u>\$ 330,508</u>

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Expenditures:			
General government:			
City Manager:			
Personnel services	\$ 175,197	\$ 164,432	\$ 10,765
Contractual services	13,905	12,113	1,792
Materials and supplies	3,200	3,012	188
	<u>192,302</u>	<u>179,557</u>	<u>12,745</u>
Human resources:			
Personnel services	64,987	64,630	357
Contractual services	20,634	7,859	12,775
Materials and supplies	3,750	2,982	768
	<u>89,371</u>	<u>75,471</u>	<u>13,900</u>
Finance:			
Personnel services	313,066	279,597	33,469
Contractual services	106,158	88,411	17,747
Materials and supplies	5,700	4,897	803
	<u>424,924</u>	<u>372,905</u>	<u>52,019</u>
Municipal court:			
Personnel services	83,620	82,052	1,568
Contractual services	17,420	19,035	(1,615)
Materials and supplies	750	571	179
	<u>101,790</u>	<u>101,658</u>	<u>132</u>

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Building official and buildings and grounds:			
Personnel services	\$ 284,624	\$ 254,495	\$ 30,129
Contractual services	138,713	117,170	21,543
Materials and supplies	8,609	8,657	(48)
	<u>431,946</u>	<u>380,322</u>	<u>51,624</u>
Other general government:			
Contractual services	406,358	353,645	52,713
Materials and supplies	10,000	-	10,000
Contingency	431,700	36,591	395,109
	<u>848,058</u>	<u>390,236</u>	<u>457,822</u>
Total general government	<u>2,088,391</u>	<u>1,500,149</u>	<u>588,242</u>
Public safety:			
Fire department:			
Personnel services	1,166,972	1,169,089	(2,117)
Contractual services	56,391	51,776	4,615
Materials and supplies	25,866	24,262	1,604
	<u>1,249,229</u>	<u>1,245,127</u>	<u>4,102</u>
Police department:			
Personnel services	1,474,493	1,462,319	12,174
Contractual services	21,474	38,205	(16,731)
Materials and supplies	82,853	76,421	6,432
	<u>\$ 1,578,820</u>	<u>\$ 1,576,945</u>	<u>\$ 1,875</u>

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Animal control:			
Personnel services	\$ 31,790	\$ 32,086	\$ (296)
Contractual services	14,788	9,865	4,923
Materials and supplies	3,811	3,055	756
	<u>50,389</u>	<u>45,006</u>	<u>5,383</u>
Total public safety	<u>2,878,438</u>	<u>2,867,078</u>	<u>11,360</u>
Public works:			
Engineering:			
Personnel services	142,269	145,563	(3,294)
Contractual services	15,350	6,426	8,924
Materials and supplies	1,152	1,324	(172)
	<u>158,771</u>	<u>153,313</u>	<u>5,458</u>
Amelia Earhart Airport:			
Contractual services	24,886	33,115	(8,229)
Materials and supplies	78,990	57,509	21,481
	<u>103,876</u>	<u>90,624</u>	<u>13,252</u>
Fleet maintenance:			
Contractual services	1,335	36,730	(35,395)
Materials and supplies	88,575	89,414	(839)
	<u>89,910</u>	<u>126,144</u>	<u>(36,234)</u>
AHCC:			
Contractual services	\$ 98,227	\$ 66,056	\$ 32,171

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Public works administration:			
Personnel services	\$ 930,363	\$ 911,677	\$ 18,686
Contractual services	30,528	30,028	500
Materials and supplies	178,706	183,801	(5,095)
	<u>1,139,597</u>	<u>1,125,506</u>	<u>14,091</u>
Total public works	<u>1,590,381</u>	<u>1,561,643</u>	<u>28,738</u>
Parks and recreation:			
Parks:			
Contractual services	64,120	79,120	(15,000)
Materials and supplies	73,015	73,698	(683)
	<u>137,135</u>	<u>152,818</u>	<u>(15,683)</u>
Municipal pool:			
Personnel services	42,325	54,340	(12,015)
Contractual services	9,130	7,325	1,805
Materials and supplies	29,500	27,201	2,299
	<u>80,955</u>	<u>88,866</u>	<u>(7,911)</u>
Oak Hill Cemetery:			
Contractual services	5,000	7,230	(2,230)
Materials and supplies	350	133	217
	<u>5,350</u>	<u>7,363</u>	<u>(2,013)</u>
Total parks and recreation	<u>223,440</u>	<u>249,047</u>	<u>(25,607)</u>
Total expenditures	<u>6,780,650</u>	<u>6,177,917</u>	<u>602,733</u>
Excess of revenues over (under) expenditures	<u>\$ (857,161)</u>	<u>\$ 76,080</u>	<u>\$ 933,241</u>

(Continued)

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u> </u>	<u> </u>	<u> </u>
Other financing sources (uses):			
Sale of capital assets	\$ 20,000	\$ 300	\$ (19,700)
Transfers in	652,857	652,857	-
Transfers out	<u>(273,000)</u>	<u>(290,372)</u>	<u>(17,372)</u>
Total other financing sources (uses)	<u>399,857</u>	<u>362,785</u>	<u>(37,072)</u>
Net change in fund balances	(457,304)	438,865	896,169
Fund balances, beginning	<u>798,928</u>	<u>1,571,237</u>	<u>772,309</u>
Fund balances, ending	<u><u>\$ 341,624</u></u>	<u><u>\$ 2,010,102</u></u>	<u><u>\$ 1,668,478</u></u>

CITY OF ATCHISON, KANSAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2012

1 - General

All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

2 - Reconciliation

Explanation of differences between budget and GAAP net change in fund balances:

Net change in fund balance - budget	\$ 438,865
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Net change in fund balance for non-budgeted funds included with the General Fund on GAAP basis financials:

Insurance reserve	2,937
Municipal equipment reserve	147,981
Law enforcement	11,674

Encumbrances for equipment and supplies ordered but not yet received are reported in the year the orders are placed for budgetary purposes, but are reported in the year the equipment and supplies are received for GAAP purposes:

2012 encumbrances	68,821
2011 encumbrances	(29,177)
	<hr/>

Net change in fund balance - GAAP	<u><u>\$ 641,101</u></u>
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**Other
Supplementary
Information**

2012

OTHER SUPPLEMENTARY INFORMATION

CITY OF ATCHISON, KANSAS

COMBINING BALANCE SHEET
GENERAL FUND

December 31, 2012

	General	Insurance Reserve	Municipal Equipment Reserve	Law Enforcement	Total General Fund
Assets:					
Cash and cash equivalents	\$ 1,969,479	\$ 39,493	\$ 616,609	\$ 27,276	\$ 2,652,857
Receivables (net of allowance for uncollectibles):					
Taxes	2,732,824	-	-	-	2,732,824
Accounts	47,975	-	-	-	47,975
Total assets	\$ 4,750,278	\$ 39,493	\$ 616,609	\$ 27,276	\$ 5,433,656
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 164,520	\$ -	\$ 1,711	\$ -	\$ 166,231
Accrued payroll	115,473	-	-	-	115,473
Deferred revenue	2,328,175	-	-	-	2,328,175
Total liabilities	2,608,168	-	1,711	-	2,609,879
Fund balances:					
Assigned	68,821	39,493	614,898	27,276	750,488
Unassigned	2,073,289	-	-	-	2,073,289
Total fund balances	2,142,110	39,493	614,898	27,276	2,823,777
Total liabilities and fund balances	\$ 4,750,278	\$ 39,493	\$ 616,609	\$ 27,276	\$ 5,433,656

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GENERAL FUND

Year Ended December 31, 2012

	General	Insurance Reserve	Municipal Equipment Reserve	Law Enforcement	Eliminations	Total General Fund
Revenues:						
Taxes:						
Property	\$ 2,665,676	\$ -	\$ -	\$ -	\$ -	\$ 2,665,676
Sales	1,651,096	-	-	-	-	1,651,096
Franchise	1,323,711	-	-	-	-	1,323,711
Payments in lieu of taxes	24,033	-	-	-	-	24,033
Intergovernmental	160,647	-	-	-	-	160,647
Licenses and permits	104,016	-	-	-	-	104,016
Charges for services	167,535	-	-	-	-	167,535
Fines and fees	148,168	-	-	-	-	148,168
Interest on investments	15,016	229	3,208	153	-	18,606
Other	57,284	36,111	-	38,662	-	132,057
Total revenues	<u>6,317,182</u>	<u>36,340</u>	<u>3,208</u>	<u>38,815</u>	<u>-</u>	<u>6,395,545</u>
Expenditures:						
Current:						
General government	1,477,413	43,403	-	-	-	1,520,816
Public works	1,556,253	-	-	-	-	1,556,253
Public safety	2,854,447	-	-	-	-	2,854,447
Parks and recreation	250,160	-	-	-	-	250,160
Debt service:						
Principal	-	-	22,544	-	-	22,544
Interest and fiscal charges	-	-	5,820	-	-	5,820
Capital outlay	-	-	164,755	27,141	-	191,896
Total expenditures	<u>6,138,273</u>	<u>43,403</u>	<u>193,119</u>	<u>27,141</u>	<u>-</u>	<u>6,401,936</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>178,909</u>	<u>(7,063)</u>	<u>(189,911)</u>	<u>11,674</u>	<u>-</u>	<u>(6,391)</u>
Other financing sources (uses):						
Sale of capital assets	300	-	58,202	-	-	58,502
Transfers in	652,857	10,000	279,690	-	(123,000)	819,547
Transfers out	(290,372)	-	-	-	123,000	(167,372)
Total other financing sources (uses)	<u>362,785</u>	<u>10,000</u>	<u>337,892</u>	<u>-</u>	<u>-</u>	<u>710,677</u>
Net change in fund balances	541,694	2,937	147,981	11,674	-	704,286
Fund balances, beginning of year	1,600,416	36,556	466,917	15,602	-	2,119,491
Fund balances, end of year	<u>\$ 2,142,110</u>	<u>\$ 39,493</u>	<u>\$ 614,898</u>	<u>\$ 27,276</u>	<u>\$ -</u>	<u>\$ 2,823,777</u>

CITY OF ATCHISON, KANSAS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Alcohol - to account for revenues and expenditures for the prevention of drug and alcohol abuse.

Special Parks and Recreation - to account for revenues and expenditures for the upkeep and upgrade of existing parks and recreation facilities.

Motor Fuel - to account for the City's highway aid payments distributed from the State.

DARE - to account for funds donated that will be used specifically for DARE activities in the Police Department.

Grants - to account for grant proceeds received from various funding sources.

Debt Service Fund

Debt Service Fund - to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

CITY OF ATCHISON, KANSAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2012

	Special Alcohol	Special Parks and Recreation
Assets:		
Cash and cash equivalents	\$ 14,060	\$ 14,640
Taxes receivable	-	-
Intergovernmental receivable	-	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 14,060</u>	<u>\$ 14,640</u>
Liabilities:		
Accounts payable	\$ -	\$ -
Deferred revenue	-	-
	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>
Fund balances:		
Restricted:		
Substance abuse prevention and emergency shelter	14,060	-
Capital projects and maintenance	-	-
Public safety	-	-
Parks and recreation facilities	-	14,640
Debt service	-	-
Assigned	-	-
	<u> </u>	<u> </u>
Total fund balances	<u>14,060</u>	<u>14,640</u>
Total liabilities and fund balances	<u>\$ 14,060</u>	<u>\$ 14,640</u>

Special Revenue					
Motor Fuel	DARE	Grants	Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
\$ 27,079	\$ 12,529	\$ 35,990	\$ 104,298	\$ 259,902	\$ 364,200
-	-	-	-	487,967	487,967
-	-	3,027	3,027	-	3,027
<u>\$ 27,079</u>	<u>\$ 12,529</u>	<u>\$ 39,017</u>	<u>\$ 107,325</u>	<u>\$ 747,869</u>	<u>\$ 855,194</u>
\$ -	\$ -	\$ 3,659	\$ 3,659	\$ -	\$ 3,659
-	-	-	-	487,967	487,967
-	-	3,659	3,659	487,967	491,626
-	-	2,532	16,592	-	16,592
27,079	-	16,949	44,028	-	44,028
-	-	1,920	1,920	-	1,920
-	-	5,220	19,860	-	19,860
-	-	-	-	216,280	216,280
-	12,529	8,737	21,266	43,622	64,888
<u>27,079</u>	<u>12,529</u>	<u>35,358</u>	<u>103,666</u>	<u>259,902</u>	<u>363,568</u>
<u>\$ 27,079</u>	<u>\$ 12,529</u>	<u>\$ 39,017</u>	<u>\$ 107,325</u>	<u>\$ 747,869</u>	<u>\$ 855,194</u>

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2012

	Special Alcohol	Special Parks and Recreation
Revenues:		
Property taxes	\$ -	\$ -
Intergovernmental	34,088	34,088
Special assessments	-	-
Interest on investments	-	47
Other	-	-
	<u>34,088</u>	<u>34,135</u>
Total revenues	<u>34,088</u>	<u>34,135</u>
Expenditures:		
Current:		
General government	24,973	-
Public safety	-	-
Parks and recreation	-	8,460
Debt service:		
Principal	-	-
Interest and fiscal charges	-	-
	<u>24,973</u>	<u>8,460</u>
Total expenditures	<u>24,973</u>	<u>8,460</u>
Excess of revenues over (under) expenditures	<u>9,115</u>	<u>25,675</u>
Other financing uses:		
Transfers out	-	(22,000)
	<u>-</u>	<u>(22,000)</u>
Total other financing uses	<u>-</u>	<u>(22,000)</u>
Net change in fund balances	9,115	3,675
Fund balances, beginning of year	<u>4,945</u>	<u>10,965</u>
Fund balances, ending	<u>\$ 14,060</u>	<u>\$ 14,640</u>

Special Revenue					
Motor Fuel	DARE	Grants	Total Special Revenue Funds	Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 545,738	\$ 545,738
284,495	-	15,988	368,659	-	368,659
-	-	-	-	29,162	29,162
192	71	157	467	2,635	3,102
-	7,600	25,427	33,027	18,250	51,277
<u>284,687</u>	<u>7,671</u>	<u>41,572</u>	<u>402,153</u>	<u>595,785</u>	<u>997,938</u>
160,849	-	29,241	215,063	-	215,063
-	7,209	5,856	13,065	-	13,065
-	-	-	8,460	-	8,460
-	-	-	-	525,000	525,000
-	-	-	-	135,772	135,772
<u>160,849</u>	<u>7,209</u>	<u>35,097</u>	<u>236,588</u>	<u>660,772</u>	<u>897,360</u>
<u>123,838</u>	<u>462</u>	<u>6,475</u>	<u>165,565</u>	<u>(64,987)</u>	<u>100,578</u>
<u>(118,000)</u>	<u>-</u>	<u>-</u>	<u>(140,000)</u>	<u>-</u>	<u>(140,000)</u>
<u>(118,000)</u>	<u>-</u>	<u>-</u>	<u>(140,000)</u>	<u>-</u>	<u>(140,000)</u>
5,838	462	6,475	25,565	(64,987)	(39,422)
21,241	12,067	28,883	78,101	324,889	402,990
<u>\$ 27,079</u>	<u>\$ 12,529</u>	<u>\$ 35,358</u>	<u>\$ 103,666</u>	<u>\$ 259,902</u>	<u>\$ 363,568</u>

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

SPECIAL ALCOHOL FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 30,028	\$ 34,088	\$ 4,060
Expenditures:			
Contractual services	27,000	25,658	1,342
Net change in fund balance	3,028	8,430	5,402
Fund balance, beginning	427	4,945	4,518
Fund balance, ending	<u>\$ 3,455</u>	13,375	<u>\$ 9,920</u>
Explanation of differences between budgetary and GAAP fund balances:			
Encumbrances for supplies ordered but not received are not recorded for GAAP purposes until received		<u>685</u>	
		<u>\$ 14,060</u>	

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

SPECIAL PARKS AND RECREATION FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 30,028	\$ 34,088	\$ 4,060
Interest on investments	25	47	22
	<hr/>	<hr/>	<hr/>
Total revenues	30,053	34,135	4,082
Expenditures:			
Contractual services	10,000	8,460	1,540
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	20,053	25,675	5,622
Other financing uses:			
Transfers out	(22,000)	(22,000)	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(1,947)	3,675	5,622
Fund balances, beginning	3,968	10,965	6,997
	<hr/>	<hr/>	<hr/>
Fund balances, ending	<u>\$ 2,021</u>	<u>\$ 14,640</u>	<u>\$ 12,619</u>

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

MOTOR FUEL FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 277,860	\$ 284,495	\$ 6,635
Interest on investments	400	192	(208)
	<hr/>	<hr/>	<hr/>
Total revenues	278,260	284,687	6,427
Expenditures:			
Contractual services	161,593	158,685	2,908
	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	116,667	126,002	9,335
Other financing uses:			
Transfers out	(118,000)	(118,000)	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(1,333)	8,002	9,335
Fund balance, beginning	27,095	19,077	(8,018)
	<hr/>	<hr/>	<hr/>
Fund balance, ending	<u>\$ 25,762</u>	<u>\$ 27,079</u>	<u>\$ 1,317</u>

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

DEBT SERVICE FUND

Year Ended December 31, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes:			
Ad valorem tax	\$ 484,049	\$ 485,710	\$ 1,661
Recreational vehicle tax	452	424	(28)
16-20M vehicle tax	631	495	(136)
Motor vehicle tax	57,726	59,037	1,311
Vehicle excise tax	70	72	2
	<u>542,928</u>	<u>545,738</u>	<u>2,810</u>
Special assessments	31,245	29,162	(2,083)
Interest on investments	3,000	2,635	(365)
Miscellaneous	36,058	18,250	(17,808)
	<u>613,231</u>	<u>595,785</u>	<u>(17,446)</u>
Expenditures:			
Principal	542,808	525,000	17,808
Interest	137,609	135,772	1,837
Operating reserve	20,000	-	20,000
	<u>700,417</u>	<u>660,772</u>	<u>39,645</u>
Total expenditures	<u>700,417</u>	<u>660,772</u>	<u>39,645</u>
Net change in fund balance	(87,186)	(64,987)	22,199
Fund balance, beginning	<u>196,371</u>	<u>324,889</u>	<u>128,518</u>
Fund balance, ending	<u>\$ 109,185</u>	<u>\$ 259,902</u>	<u>\$ 150,717</u>

CITY OF ATCHISON, KANSAS

AGENCY FUNDS

Amelia Earhart Festival – accounts for activities for the weeklong celebration of the life of Amelia Earhart. Events include live entertainment, food, arts & crafts, fireworks and award celebration.

Santa Fe Depot Enhancement – accounts for capital improvements to the historic Santa Fe depot building.

Veteran's Memorial Park – accounts for funds contributed to maintain the veterans pavilion within the riverfront park.

Jackson Park Revitalization – accounts for funds contributed to make improvements to Jackson Park.

The White Clay Watershed District - accounts for the ad valorem taxes levied by the White Clay Watershed District for maintenance and upkeep of the District.

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

ALL AGENCY FUNDS

December 31, 2012

	<u>Amelia Earhart Festival</u>	<u>Santa Fe Depot Enhancement</u>	<u>Veteran's Memorial Park</u>	<u>Jackson Park Revitalization</u>	<u>White Clay Watershed District</u>	<u>Totals</u>
Assets:						
Cash and cash equivalents	<u>\$ 10,864</u>	<u>\$ 25,296</u>	<u>\$ 1,299</u>	<u>\$ 10,510</u>	<u>\$ 152,241</u>	<u>\$ 200,210</u>
Liabilities:						
Due to others	<u>\$ 10,864</u>	<u>\$ 25,296</u>	<u>\$ 1,299</u>	<u>\$ 10,510</u>	<u>\$ 152,241</u>	<u>\$ 200,210</u>

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

Year Ended December 31, 2012

	Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012
<u>Amelia Earhart Festival</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 355,574	\$ 344,710	\$ 10,864
Liabilities:				
Due to others	\$ -	\$ 355,574	\$ 344,710	\$ 10,864
 <u>Santa Fe Depot Enhancement</u>				
Assets:				
Cash and cash equivalents	\$ 40,442	\$ 10,694	\$ 25,840	\$ 25,296
Liabilities:				
Due to others	\$ 40,442	\$ 10,694	\$ 25,840	\$ 25,296
 <u>Veteran's Memorial Park</u>				
Assets:				
Cash and cash equivalents	\$ 1,272	\$ 27	\$ -	\$ 1,299
Liabilities:				
Due to others	\$ 1,272	\$ 27	\$ -	\$ 1,299
 <u>Jackson Park Revitalization</u>				
Assets:				
Cash and cash equivalents	\$ 10,722	\$ 59	\$ 271	\$ 10,510
Liabilities:				
Due to others	\$ 10,722	\$ 59	\$ 271	\$ 10,510

(Continued)

CITY OF ATCHISON, KANSAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS
(Continued)

Year Ended December 31, 2012

	Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>White Clay Watershed District</u>				
Assets:				
Cash and cash equivalents	\$ 108,497	\$ 238,863	\$ 195,119	\$ 152,241
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Due to others	\$ 108,497	\$ 238,863	\$ 195,119	\$ 152,241
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 <u>Total</u>				
Assets:				
Cash and cash equivalents	\$ 160,933	\$ 605,217	\$ 565,940	\$ 200,210
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Due to others	\$ 160,933	\$ 605,217	\$ 565,940	\$ 200,210
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

CITY OF ATCHISON, KANSAS
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT

PUBLIC LIBRARY

December 31, 2012

Assets:	
Cash	\$ 396,709
Investments	43,518
Taxes receivable	412,902
	<hr/>
Total assets	\$ 853,129
	<hr/> <hr/>
Liabilities and fund balances:	
Liabilities:	
Accounts payable	\$ 8,351
Accrued payroll	3,648
Deferred revenue	412,902
	<hr/>
Total liabilities	424,901
	<hr/>
Fund balances:	
Restricted:	
Reading programs	9,562
Books	1,515
Children's library	60,000
Assigned	357,151
	<hr/>
Total fund balance	428,228
	<hr/>
Total liabilities and fund balances	\$ 853,129
	<hr/> <hr/>

CITY OF ATCHISON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT

PUBLIC LIBRARY

Year Ended December 31, 2012

Revenues:		
Taxes	\$	459,537
Charges for services		16,391
Grants and contributions		247,955
Investment earnings		<u>2,001</u>
Total revenues		725,884
Expenditures:		
Current:		
Education		<u>850,977</u>
Deficiency of revenues under expenditures		(125,093)
Fund balances, beginning		<u>553,321</u>
Fund balances, ending	\$	<u><u>428,228</u></u>

Statistical Section

2012

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	86
Revenue Capacity	
These schedules contain information to help the reader assess the City's most significant local revenue source, water/wastewater charges for services, as well as its property tax.	91
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	100
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	103
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	105

CITY OF ATCHISON, KANSAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Net investment in capital assets	\$2,713,460	\$5,439,583	\$6,413,085	\$7,368,011	\$10,131,595	\$11,639,769	\$12,292,827	\$12,347,223	\$12,272,996	\$13,313,242
Restricted	-	-	973,654	1,023,212	1,040,333	788,231	729,855	1,330,900	1,161,035	555,711
Unrestricted	1,043,752	777,053	140,406	52,536	(88,487)	247,430	422,843	327,526	1,585,199	2,161,847
Total Governmental activities net position	<u>\$3,757,212</u>	<u>\$6,216,636</u>	<u>\$7,527,145</u>	<u>\$8,443,759</u>	<u>\$11,083,441</u>	<u>\$12,675,430</u>	<u>\$13,445,525</u>	<u>\$14,005,649</u>	<u>\$15,019,230</u>	<u>\$16,030,800</u>
Business-type activities										
Net investment in capital assets	\$4,186,779	\$5,311,969	\$5,486,214	\$6,174,342	\$6,438,835	\$7,722,440	\$9,115,253	\$8,908,653	\$10,017,324	\$11,908,638
Restricted	600,790	-	-	-	-	-	-	-	-	-
Unrestricted	994,133	1,193,615	2,052,158	2,344,098	2,844,053	1,892,254	2,264,559	4,262,522	5,044,982	5,991,187
Total business-type activities net position	<u>\$5,781,702</u>	<u>\$6,505,584</u>	<u>\$7,538,372</u>	<u>\$8,518,440</u>	<u>\$9,282,888</u>	<u>\$9,614,694</u>	<u>\$11,379,812</u>	<u>\$13,171,175</u>	<u>\$15,062,306</u>	<u>\$17,899,825</u>
Primary Government										
Net investment in capital assets	\$6,900,239	\$10,751,552	\$11,899,299	\$13,542,353	\$16,570,430	\$19,362,209	\$21,408,080	\$21,255,876	\$22,290,320	\$25,221,880
Restricted	600,790	-	973,654	1,023,212	1,040,333	788,231	729,855	1,330,900	1,161,035	555,711
Unrestricted	2,037,885	1,970,668	2,192,564	2,396,634	2,755,566	2,139,684	2,687,402	4,590,048	6,630,181	8,153,034
Total primary government net position	<u>\$9,538,914</u>	<u>\$12,722,220</u>	<u>\$15,065,517</u>	<u>\$16,962,199</u>	<u>\$20,366,329</u>	<u>\$22,290,124</u>	<u>\$24,825,337</u>	<u>\$27,176,824</u>	<u>\$30,081,536</u>	<u>\$33,930,625</u>

Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental activities in the prior years. Beginning in 2011 the Watershed is reported as an agency fund.

CITY OF ATCHISON, KANSAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General Government	\$1,604,557	\$1,702,564	\$1,880,963	\$1,841,155	\$1,940,473	\$2,339,490	\$2,477,457	\$2,357,540	\$2,478,684	\$2,288,605
Public Safety	2,586,331	2,674,013	2,706,364	2,893,060	2,901,310	2,909,320	2,841,896	2,880,226	2,923,106	3,080,529
Public Works	1,373,730	1,636,565	1,364,888	1,051,183	1,250,995	1,335,063	1,388,693	1,469,786	1,718,105	1,815,676
Parks and Recreation	493,554	386,230	378,189	407,859	450,200	489,521	426,369	492,756	297,417	306,470
Economic Development	207,438	67,500	67,500	72,500	75,000	21,637	75,000	75,000	-	-
Interest on long-term debt	201,452	166,994	142,142	127,180	174,988	187,803	137,338	111,877	124,977	119,877
Total governmental activities expenses	6,467,062	6,633,866	6,540,046	6,392,937	6,792,966	7,282,834	7,346,753	7,387,185	7,542,289	7,611,157
Business-type activities:										
Water/Wastewater**	4,266,464	4,068,745	3,870,015	3,567,725	3,879,281	4,318,423	2,225,755	2,407,449	2,294,146	2,521,121
Wastewater							1,466,583	1,490,589	1,541,013	1,905,811
Refuse	318,321	312,636	309,234	320,476	355,787	388,867	363,721	372,578	360,427	384,657
Total business-type activities	4,584,785	4,381,381	4,179,249	3,888,201	4,235,068	4,707,290	4,056,059	4,270,616	4,195,586	4,811,589
Total primary government expenses	\$11,051,847	\$11,015,247	\$10,719,295	\$10,281,138	\$11,028,034	\$11,990,124	\$11,402,812	\$11,657,801	\$11,737,875	\$12,422,746
Program Revenues										
Governmental Activities:										
Charges for services:										
General Government	\$309,348	\$287,763	\$270,178	\$303,272	\$331,688	\$580,596	\$344,165	\$502,699	\$499,457	\$332,317
Public Safety	47,425	33,687	53,270	66,545	45,335	39,316	38,030	83,335	79,955	113,084
Public Works	73,391	33,670	33,700	32,000	32,000	33,040	81,015	142,574	296,747	141,045
Parks and Recreation	29,352	24,905	-	-	-	-	19,090	-	-	-
Economic Development	139	155	109	232	49	21	22	-	-	-
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	781,233	600,616	895,801	559,061	457,008	939,358	476,438	406,070	407,400	447,042
Capital grants and contributions	1,320,148	2,348,082	387,167	540,945	2,742,733	1,289,186	753,526	268,115	515,552	545,799
Total governmental activities programs revenue	2,561,036	3,328,878	1,640,225	1,502,055	3,608,813	2,881,517	1,712,286	1,402,793	1,799,111	1,579,287
Business-type activities:										
Charges for services:										
Water/Wastewater**	4,063,217	4,551,541	4,261,046	3,924,973	4,022,503	4,043,258	2,733,628	3,621,075	3,703,515	3,888,189
Wastewater							1,302,014	1,576,158	1,472,145	1,808,743
Refuse	328,006	372,319	374,223	379,024	382,758	393,240	433,934	461,034	483,976	504,428
Operating grants and contributions	-	-	-	-	-	17,017	-	-	-	-
Capital grants and contributions	40,000	-	-	-	-	273,054	688,610	39,071	22,788	1,219,916
Total business-type activities program revenues	4,431,223	4,923,860	4,635,269	4,303,997	4,405,261	4,726,569	5,158,186	5,697,338	5,682,424	7,421,276
Total primary government program revenues	\$6,992,259	\$8,252,738	\$6,275,494	\$5,806,052	\$8,014,074	\$7,608,086	\$6,870,472	\$7,100,131	\$7,481,535	\$9,000,563
Net (Expense)/Revenue										
Governmental activities	(\$3,906,026)	(\$3,304,988)	(\$4,899,821)	(\$4,890,882)	(\$3,184,153)	(\$4,401,317)	(\$5,634,467)	(\$5,984,392)	(\$5,743,178)	(\$6,031,870)
Business-type activities	(153,562)	542,479	456,020	415,796	170,193	19,279	1,102,127	1,426,722	1,486,838	2,609,687
Total primary government net expense	(\$4,059,588)	(\$2,762,509)	(\$4,443,801)	(\$4,475,086)	(\$3,013,960)	(\$4,382,038)	(\$4,532,340)	(\$4,557,670)	(\$4,256,340)	(\$3,422,183)

CITY OF ATCHISON, KANSAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(accrual basis of accounting)
(Continued)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$3,008,415	\$3,085,037	\$3,087,410	\$2,810,920	\$2,724,260	\$2,730,417	\$3,423,769	\$3,406,690	\$3,231,311	\$3,211,414
Sales taxes	1,275,172	1,889,117	1,537,858	1,571,561	1,583,031	1,589,234	1,524,783	1,520,429	1,587,341	1,651,096
Franchise Taxes	572,126	630,666	843,255	820,181	794,595	850,200	787,184	842,672	1,304,264	1,323,711
Guest taxes	42,747	47,974	69,139	80,760	85,169	92,350	91,803	115,218	-	-
Payments in lieu of taxes	8,855	8,254	8,091	25,842	26,641	27,842	-	51,172	23,639	24,033
Unrestricted investment earnings	22,565	36,065	70,986	89,807	151,462	39,002	11,948	16,246	24,660	27,157
Gain on disposal of asset	-	4,429	40,174	36,708	14,620	-	-	3,169	-	13,522
Transfers	1,070,606	143,086	552,724	481,970	444,057	664,261	565,075	588,920	585,544	792,507
Total governmental activities	6,000,486	5,844,628	6,209,637	5,917,749	5,823,835	5,993,306	6,404,562	6,544,516	6,756,759	7,043,440
Business-type activities:										
Sales Taxes	-	-	924,453	947,023	920,121	927,154	945,042	937,296	974,892	996,021
Unrestricted investment earnings	34,045	13,627	41,178	67,086	118,191	44,339	10,159	16,265	14,945	24,318
Gain on disposal of asset	-	-	-	32,133	-	5,295	-	-	-	-
Transfers	(1,070,606)	(143,086)	(552,724)	(481,970)	(444,057)	(664,261)	(565,075)	(588,920)	(585,544)	(792,507)
Total business-type activities	(1,036,561)	(129,459)	412,907	564,272	594,255	312,527	390,126	364,641	404,293	227,832
Total primary government	\$4,963,925	\$5,715,169	\$6,622,544	\$6,482,021	\$6,418,090	\$6,305,833	\$6,794,688	\$6,909,157	\$7,161,052	\$7,271,272
Change in Net Position										
Governmental activities	\$2,094,460	\$2,539,640	\$1,309,816	\$1,026,867	\$2,639,682	\$1,591,989	\$770,095	\$560,124	\$1,013,581	\$1,011,570
Business-type activities	(1,190,123)	413,020	868,927	980,068	764,448	331,806	1,492,253	1,791,363	1,891,131	2,837,519
Total primary government	\$904,337	\$2,952,660	\$2,178,743	\$2,006,935	\$3,404,130	\$1,923,795	\$2,262,348	\$2,351,487	\$2,904,712	\$3,849,089

Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental activities in the prior years. Beginning in 2011 the Watershed is reported as an agency fund.

**Water and Wastewater funds combined thru 2008, shown separately beginning in 2009

CITY OF ATCHISON, KANSAS
FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Assigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 548,253	\$ 750,488
Unassigned	-	-	-	-	-	-	-	-	1,571,238	2,073,289
Reserved	56,480	11,305	40,608	14,471	68,008	16,859	54,484	40,896	-	-
Unreserved	699,710	698,523	625,489	499,418	245,602	403,852	525,684	1,016,875	-	-
Total general fund	<u>\$756,190</u>	<u>\$709,828</u>	<u>\$666,097</u>	<u>\$513,889</u>	<u>\$313,610</u>	<u>\$420,711</u>	<u>\$580,168</u>	<u>\$1,057,771</u>	<u>\$2,119,491</u>	<u>\$2,823,777</u>
All Other Governmental Funds										
Restricted for:										
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309,629	\$ -
Substance Abuse Prevention and Emergency Shelter	-	-	-	-	-	-	-	-	-	16,592
Debt Service	-	-	-	-	-	-	-	-	-	216,280
Capital Projects and Maintenance	-	-	-	-	-	-	-	-	863,132	335,267
Public Safety	-	-	-	-	-	-	-	-	1,967	1,920
Parks and Recreation facilities	-	-	-	-	-	-	-	-	12,553	19,860
Assigned	-	-	-	-	-	-	-	-	239,267	217,040
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved for:										
Encumbrances	101,287	126,513	460,212	499,503	1,687,814	3,454	5,214	434,133	-	-
Revolving loan program	351,588	353,074	355,831	363,414	372,831	374,519	374,908	-	-	-
Unreserved reported in:										
Debt service fund	92,426	123,846	248,738	255,842	404,553	244,629	159,454	229,922	-	-
Special revenue funds	349,102	74,397	284,476	295,535	200,170	423,376	232,822	226,510	-	-
Capital project funds	112,174	56,365	(242,016)	(400,195)	(1,238,190)	208,048	415,120	451,280	-	-
Total all other governmental funds	<u>\$1,006,577</u>	<u>\$734,195</u>	<u>\$1,107,241</u>	<u>\$1,014,099</u>	<u>\$1,427,178</u>	<u>\$1,254,026</u>	<u>\$1,187,518</u>	<u>\$1,341,845</u>	<u>\$ 1,426,548</u>	<u>\$ 806,959</u>

Information presented for 2011 uses the new fund balance reporting required by GASB 54. Prior years are not restated.
Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental funds in the prior years. Beginning in 2011 the Watershed is reported as an agency fund.

CITY OF ATCHISON, KANSAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes:										
Property	\$3,008,415	\$3,085,039	\$3,087,410	\$2,810,920	\$2,724,260	\$2,730,417	\$3,423,769	\$3,406,690	\$3,231,311	\$3,211,414
Sales	1,275,172	1,889,117	1,537,858	1,571,561	1,583,031	1,589,234	1,524,783	1,520,429	1,587,341	1,651,096
Franchise	572,126	630,666	843,255	820,181	794,595	850,200	787,184	842,672	1,304,264	1,323,711
Guest	42,747	47,974	69,139	80,760	85,169	92,350	91,803	115,218	-	-
Payments in lieu of taxes	8,855	8,254	8,091	25,842	26,641	27,842	-	51,172	23,639	24,033
Intergovernmental	1,394,034	2,454,157	939,724	897,014	1,856,197	1,919,213	1,078,482	661,180	884,926	911,355
Licenses and permits	64,121	37,118	32,916	29,151	44,798	204,802	84,724	89,050	103,960	104,016
Charges for services	99,118	93,890	65,987	83,030	56,326	54,704	104,847	151,480	191,121	167,535
Fines and fees	123,955	118,899	131,661	118,899	114,738	157,196	164,096	243,079	329,666	148,168
Special Assessments	45,688	44,342	43,891	39,189	31,155	30,343	29,410	32,707	30,296	29,162
Interest on investments	22,565	36,065	70,986	89,807	151,462	39,002	11,948	16,246	24,660	27,156
Other	835,589	595,744	430,359	343,239	293,856	368,143	140,914	163,505	121,572	215,551
Total Revenues	7,492,385	9,041,265	7,261,277	6,909,593	7,762,228	8,063,446	7,441,960	7,293,428	7,832,756	7,813,197
Expenditures										
General government	1,345,165	1,441,489	1,615,360	1,451,294	1,599,794	1,830,484	1,905,569	1,855,886	1,923,128	1,735,879
Public works	1,043,945	1,106,618	1,101,456	911,653	1,003,387	1,101,121	1,090,137	1,191,008	1,450,485	1,556,253
Public safety	2,419,490	2,551,550	2,556,257	2,775,108	2,706,958	2,742,071	2,707,129	2,736,583	2,901,700	2,867,512
Parks and recreation	416,702	357,581	338,995	384,879	394,867	464,833	399,842	465,038	256,922	258,620
Economic development	67,500	67,500	67,500	72,500	75,000	21,637	75,000	75,000	-	-
Debt Service										
Principal	685,180	701,023	638,128	676,769	580,112	625,260	679,987	508,623	544,175	565,352
Interest	219,700	172,566	153,132	128,962	149,631	207,381	146,095	117,500	97,380	141,592
Debt Issuance Costs	-	-	-	-	-	-	-	-	31,756	-
Capital outlay	2,179,761	3,761,263	1,124,832	2,254,542	3,436,283	2,725,395	937,966	480,777	2,121,270	1,458,341
Total Expenditures	8,377,443	10,159,590	7,595,660	8,655,707	9,946,032	9,718,182	7,941,725	7,430,415	9,326,816	8,583,549
Excess of revenues over/(under) expenditures	(885,058)	(1,118,325)	(334,383)	(1,746,114)	(2,183,804)	(1,654,736)	(499,765)	(136,987)	(1,494,060)	(770,352)
Other Financing Sources (Uses)										
Payment to refund temporary notes	-	-	-	-	(536,000)	-	-	-	-	-
Proceeds of general obligation bonds	-	500,000	-	-	2,300,000	-	-	110,319	1,830,000	-
Sale of capital assets	-	-	132,665	50,116	31,202	44,961	27,639	50,753	177,015	58,502
Insurance Proceeds	-	-	-	-	-	218,574	-	-	-	-
Proceeds from capital leases	-	-	-	365,347	-	-	-	-	-	-
Proceeds from temporary notes	-	-	-	536,000	-	-	-	-	-	-
Transfers in	1,760,980	1,111,851	1,313,637	1,274,748	1,361,416	2,030,108	1,121,567	1,112,651	997,418	1,103,919
Transfers out	(564,315)	(812,270)	(703,410)	(637,848)	(760,014)	(704,958)	(556,492)	(504,806)	(363,950)	(307,372)
Total other financing sources (uses)	1,196,665	799,581	742,892	1,588,363	2,396,604	1,588,685	592,714	768,917	2,640,483	855,049
Net change in fund balances	\$311,607	(\$318,744)	\$408,509	(\$157,751)	\$212,800	(\$66,051)	\$92,949	\$631,930	\$1,146,423	\$84,697
Debt service as a percentage of noncapital expenditures	14.6%	13.7%	12.2%	12.6%	11.2%	11.9%	11.8%	9.0%	8.9%	9.8%

Watershed District #26 is presented as a component unit beginning in 2006. The Watershed is included in governmental funds in the prior years. Beginning in 2011 the Watershed is reported as an agency fund.

CITY OF ATCHISON, KANSAS

WATER PRODUCED AND CONSUMED

LAST TEN FISCAL YEARS
(thousands of gallons)

Fiscal Year	Gallons of Water Produced	Gallons of Water Consumed	Gallons of Water Unbilled		Average Percent Unbilled	Base Rate
			Metered Provided For Free	Unaccounted For Water		
2003	1,568,669	1,097,661	96,694	374,314	30.03%	17.00
2004	1,482,917	1,129,066	28,849	325,002	23.86%	17.00
2005	1,440,239	1,070,340	43,558	326,341	25.68%	17.00
2006	1,429,907	1,023,465	58,201	348,241	28.42%	17.00
2007	1,571,009	988,500	124,713	457,796	37.08%	17.00
2008	1,545,869	1,163,432	118,769	263,668	24.74%	17.00
2009	1,491,859	959,947	69,043	462,869	35.65%	18.70
2010	1,599,504	1,094,121	69,043	436,340	31.60%	23.38
2011	1,525,572	1,149,030	90,295	286,247	24.68%	24.08
2012	1,560,120	1,178,786	75,151	306,183	24.44%	24.80

Source: City of Atchison Water Use reports

Base rate shown is for a 5/8" meter. See the Water Rate Schedule for other meter sizes and usage charges.

CITY OF ATCHISON, KANSAS

ANNUAL TAP SALES

LAST TEN FISCAL YEARS

Fiscal Year	Water Meter Taps Sold
2003	NA
2004	NA
2005	21
2006	31
2007	18
2008	12
2009	16
2010	18
2011	8
2012	5

CITY OF ATCHISON, KANSAS
NUMBER OF WATER CUSTOMERS BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Water Customers				Total
	Residential	Commercial	Industrial	Rural Water Districts	
2003	3,732	403	45	7	4,187
2004	3,759	404	45	7	4,215
2005	3,789	404	41	7	4,241
2006	3,718	428	41	7	4,194
2007	3,750	401	41	7	4,199
2008	3,776	401	41	7	4,225
2009	3,716	439	37	7	4,199
2010	3,716	470	4	7	4,197
2011	3,700	433	42	6	4,181
2012	3,672	433	42	6	4,153

Source: City of Atchison Water Use reports

CITY OF ATCHISON, KANSAS

WATER RATES

LAST TEN FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Minimum Monthly Rates- All account types										
5/8 inch meter	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 18.70	\$ 23.38	\$ 24.08	\$ 24.80
3/4 inch meter	27.50	27.50	27.50	27.50	27.50	27.50	30.25	37.81	38.94	40.11
1 inch meter	45.50	45.50	45.50	45.50	45.50	45.50	50.05	62.56	64.43	66.36
1.5 inch meter	85.00	85.00	85.00	85.00	85.00	85.00	93.50	116.88	120.39	124.00
2 inch meter	115.00	115.00	115.00	115.00	115.00	115.00	126.50	158.13	162.87	167.76
3 inch meter	225.00	225.00	225.00	225.00	225.00	225.00	247.50	309.38	318.66	328.22
4 inch meter	375.00	375.00	375.00	375.00	375.00	375.00	412.50	515.63	531.10	547.03
6 inch meter	495.00	495.00	495.00	495.00	495.00	495.00	544.50	680.63	701.05	722.08
8 inch meter	575.00	575.00	575.00	575.00	575.00	575.00	632.50	790.63	814.35	838.78
Additional Monthly Charges- Residential										
0-1,997 gallons consumed (per 1,000 gallons)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,998-4,989	2.957	2.957	2.957	2.957	2.957	2.957	3.254	4.067	4.189	4.315
4,990-9,971	2.868	2.868	2.868	2.868	2.868	2.868	3.154	3.943	4.061	4.183
9,972-49,860	2.727	2.727	2.727	2.727	2.727	2.727	3.000	3.750	3.863	3.978
49,861-99,731	2.546	2.546	2.546	2.546	2.546	2.546	2.801	3.502	3.607	3.715
99,732-199,469	2.346	2.346	2.346	2.346	2.346	2.346	2.581	3.226	3.323	3.423
Additional Monthly Charges Rates- Industrial										
0-49,869 gallons consumed (per 1,000 gallons)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2.768	\$ 3.461	\$ 3.564	\$ 3.671
49,870-99,731	2.436	2.436	2.436	2.436	2.436	2.436	2.680	3.350	3.451	3.554
99,732-149,600	2.155	2.155	2.155	2.155	2.155	2.155	2.371	2.964	3.053	3.145
149,601-199,469	1.975	1.975	1.975	1.975	1.975	1.975	2.173	2.716	2.798	2.881
199,470-997,331	1.624	1.624	1.624	1.624	1.624	1.624	1.787	2.233	2.300	2.369
997,332-4,986,669	1.323	1.323	1.323	1.323	1.323	1.323	1.456	1.820	1.875	1.931
4,986,670-9,973,331	0.601	0.601	0.601	0.601	0.601	0.601	0.662	0.827	0.852	0.878
9,973,331 and above	0.511	0.511	0.511	0.511	0.511	0.511	0.563	0.703	0.724	0.746

Source: City of Atchison Water Utility

A 25% rate increase was effective with the January 2010 billing period. A 3% rate increase was effective with the January 2012 billing period.

CITY OF ATCHISON, KANSAS
 PRINCIPAL WATER PURCHASERS
 CURRENT YEAR AND NINE YEARS AGO

Water Purchaser	2012			2003		
	Gallons Consumed	Rank	Percentage of Total Gallons Consumed	Gallons Consumed	Rank	Percentage of Total Gallons Consumed
MGP Ingredients	579,834,236	1	37.17%	354,368,082	1	22.59%
Rural Water District #5	147,254,750	2	9.44%	140,319,000	2	8.95%
Bradken/Atchison Casting	46,680,339	3	2.99%	23,070,519	4	1.47%
Rural Water District #6	37,205,520	4	2.38%	36,874,000	3	2.35%
Benedictine College	31,085,234	5	1.99%	20,609,913	5	1.31%
Bunge	11,934,462	6	0.76%	12,786,320	6	0.82%
Rural Water District #1	11,751,080	7	0.75%			
Mount St. Scholastica	9,060,524	8	0.58%	12,680,732	7	0.81%
Atchison Public Schools	8,422,749	9	0.54%			
Atchison Hospital	5,054,603	10	0.32%	6,311,781	10	0.40%
Atchison Juvenile Facility				8,096,352	9	0.52%
Golden Star, Inc.				11,658,777	8	0.74%
Total	<u>888,283,497</u>		<u>56.92%</u>	<u>626,775,476</u>		<u>39.96%</u>

Source: City of Atchison Water Department.

CITY OF ATCHISON, KANSAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Estate	Personal Property	Utilities	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed to Total Estimated Actual Value
2003	\$ 37,347,777	\$ 9,604,081	\$ 4,586,940	\$ 3,181,797	\$ 48,357,001	\$ 58	\$ 296,253,293	16.32%
2004	40,364,207	9,001,867	4,926,189	3,997,304	50,294,959	58	313,671,884	16.03%
2005	44,780,649	8,726,640	5,054,581	6,316,575	52,245,295	56	338,081,138	15.45%
2006	47,343,216	8,927,586	5,142,723	6,489,954	54,923,571	51	359,194,029	15.29%
2007	52,509,268	9,346,970	4,759,355	6,704,034	59,911,559	45	417,388,916	14.35%
2008	54,566,560	8,436,366	4,564,451	6,940,075	60,627,302	46	437,709,006	13.85%
2009	56,926,494	7,018,204	4,371,716	7,202,148	61,114,266	57	446,183,278	13.70%
2010	58,326,077	6,209,979	4,349,715	7,210,601	61,675,170	57	445,328,629	13.85%
2011	60,339,718	5,518,345	4,692,455	7,449,991	63,100,527	53	446,170,360	14.14%
2012	60,578,300	4,738,734	4,932,363	8,853,139	61,396,258	54	446,386,760	13.75%

Source: Atchison County Clerk

Note: Does not include penalty amounts

CITY OF ATCHISON, KANSAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES
(PER \$ 1,000 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates				White Clay #26 Watershed	USD 409	Atchison County	State of Kansas	Total
	Basic Rate	Debt Service	Library	Total Direct Rate					
2003	\$ 42.982	\$ 8.996	\$ 5.997	\$ 57.975	\$ 1.999	\$ 51.791	\$ 37.824	\$ 1.500	\$ 151.089
2004	39.684	12.120	5.766	57.570	1.933	56.705	44.027	1.500	161.735
2005	38.828	11.439	6.127	56.394	1.992	56.890	42.600	1.500	159.376
2006	36.935	7.982	6.113	51.030	2.301	59.749	40.900	1.500	155.480
2007	32.460	7.318	5.716	45.494	2.253	62.839	40.888	1.500	152.974
2008	32.808	7.571	6.099	46.478	2.535	59.137	42.967	1.500	152.617
2009	42.071	8.524	6.770	57.365	2.625	59.645	45.870	1.500	167.005
2010	42.100	8.306	6.775	57.181	2.801	62.804	46.658	1.500	170.944
2011	37.892	8.255	6.733	52.880	2.797	61.212	46.621	1.500	165.010
2012	39.296	8.002	6.771	54.069	2.998	62.603	48.722	1.500	169.892

Source: Atchison County Clerk

CITY OF ATCHISON, KANSAS

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
MGP Ingredients	\$3,910,184	1	6.37%	\$4,950,329	1	10.24%
Bradken	3,464,719	2	5.64%	2,813,686	2	5.82%
Wal-Mart	2,227,013	3	3.63%	598,994	7	1.24%
Blish-Mize	1,295,544	4	2.11%	1,246,846	3	2.58%
Northwest Pipe	1,283,160	5	2.09%	1,008,469	4	2.09%
Golden Star	1,223,938	6	1.99%	725,004	5	1.50%
Agree Atchison	988,325	7	1.61%			
Garrett Brothers	483,313	8	0.79%	619,359	6	1.28%
Exchange National	459,571	9	0.75%			
Atchison Hospital	432,084	10	0.70%	422,635	10	0.87%
Fargo Assembly				532,650	8	1.10%
AmericInn Motels				449,428	9	0.93%
Total	<u>\$15,767,851</u>		<u>26%</u>	<u>\$13,367,400</u>		<u>28%</u>

Source: Atchison County Clerk

CITY OF ATCHISON, KANSAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as a Percent of Current Tax Levy	Outstanding Delinquent Taxes	Outstanding Delinquent Taxes as a Percent of Current Levy
2003	\$ 2,990,817	\$ 2,657,280	88.85%	\$ 161,026	\$ 2,818,306	94.23%	\$ 333,537	11.15%
2004	3,128,595	2,880,002	92.05%	86,604	2,966,606	99.56%	100,492	3.21%
2005	3,305,838	2,861,118	86.55%	36,247	2,897,365	87.64%	444,720	13.45%
2006	3,137,519	2,723,053	86.79%	71,191	2,794,244	89.06%	91,518	2.92%
2007	3,032,818	2,647,672	87.30%	104,058	2,751,730	90.73%	8,765	0.29%
2008	2,990,086	2,930,659	98.01%	30,022	2,960,681	99.02%	29,405	0.98%
2009	3,684,215	3,610,823	98.01%	3,691	3,614,513	98.11%	69,702	1.89%
2010	3,715,137	3,620,578	97.45%	NA	3,620,578	97.45%	94,559	2.55%
2011	3,528,503	3,237,885	91.76%	NA	3,237,885	91.76%	290,618	8.24%
2012	3,523,660	3,407,816	96.71%	NA	3,407,816	96.71%	115,844	3.29%

Source: Atchison County Treasurer
NA= not available

CITY OF ATCHISON, KANSAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita	
	General Obligation Bonds	Other Loans	Capital Leases	Revenue Bonds	General Obligation Bonds	Capital Leases				Revolving Loans
2003	\$ 3,620,000	\$ 166,815	\$ 53,548	\$ 3,080,000	\$ 9,410,000	\$ -	\$ -	\$ 16,330,363	7.03%	\$ 1,610
2004	3,505,000	134,340	-	-	11,385,000	-	-	15,024,340	6.10%	1,486
2005	2,900,000	101,212	166,000	-	10,600,000	166,000	-	13,933,212	5.40%	1,367
2006	2,305,000	67,418	317,372	-	9,775,000	189,837	-	12,654,627	4.59%	1,237
2007	4,105,000	32,945	271,733	-	8,920,000	125,957	-	13,455,635	4.69%	1,325
2008	3,545,000	-	223,969	-	8,040,000	59,236	-	11,868,205	3.95%	1,178
2009	2,915,000	-	173,982	-	7,125,000	18,663	283,649	10,516,294	3.56%	1,011
2010	2,545,319	-	145,359	-	6,629,681	-	4,466,912	13,787,271	4.66%	1,322
2011	3,852,676	-	123,827	-	6,042,324	206,000	5,974,057	16,198,884	4.67%	1,470
2012	3,309,868	-	101,283	-	5,435,132	167,228	5,448,587	14,462,098	NA	1,322

N/A = Not Available

CITY OF ATCHISON, KANSAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING AND LEGAL DEBT MARGIN

LAST TEN FISCAL YEARS

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General bonded debt outstanding										
General obligation bonds	\$ 13,030,000	\$ 14,890,000	\$ 13,500,000	\$ 12,080,000	\$ 13,025,000	\$ 11,585,000	\$ 10,040,000	\$ 9,175,000	\$ 9,895,000	\$ 8,745,000
Total	\$ 13,030,000	\$ 14,890,000	\$ 13,500,000	\$ 12,080,000	\$ 13,025,000	\$ 11,585,000	\$ 10,040,000	\$ 9,175,000	\$ 9,895,000	\$ 8,745,000
Estimated actual property value	296,253,293	313,671,884	338,081,138	359,194,029	417,388,916	437,709,006	446,183,278	445,328,629	446,170,360	446,386,760
Percentage of estimated actual property value	4.40%	4.75%	3.99%	3.36%	3.12%	2.65%	2.25%	2.06%	2.22%	1.96%
Population	10,140	10,111	10,190	10,232	10,154	10,078	10,402	10,432	11,021	10,943
Per capita	\$1,285.01	\$1,472.65	\$1,324.83	\$1,180.61	\$1,282.75	\$1,149.53	\$965.20	\$879.51	\$897.83	\$799.14
Less: Amounts set aside to repay general debt	<u>(92,425)</u>	<u>(123,846)</u>	<u>(248,738)</u>	<u>(255,842)</u>	<u>(404,553)</u>	<u>(244,629)</u>	<u>(159,454)</u>	<u>(229,922)</u>	<u>(324,889)</u>	<u>(259,902)</u>
Total net debt applicable to debt limit	12,937,575	14,766,154	13,251,262	11,824,158	12,620,447	11,340,371	9,880,546	8,945,078	9,570,111	8,485,098
Legal debt limit	<u>14,507,100</u>	<u>15,088,488</u>	<u>15,673,589</u>	<u>16,477,071</u>	<u>17,973,468</u>	<u>18,188,191</u>	<u>18,334,280</u>	<u>18,502,551</u>	<u>18,930,158</u>	<u>18,418,877</u>
Legal debt margin	<u>\$1,569,525</u>	<u>\$322,334</u>	<u>\$2,422,327</u>	<u>\$4,652,913</u>	<u>\$5,353,021</u>	<u>\$6,847,820</u>	<u>\$8,453,734</u>	<u>\$9,557,473</u>	<u>\$9,360,047</u>	<u>\$9,933,779</u>
Legal debt margin as a percentage of debt limit	10.82%	2.14%	15.45%	28.24%	29.78%	37.65%	46.11%	51.65%	49.45%	53.93%

Debt limit is set at 30% of assessed valuation.

CITY OF ATCHISON, KANSAS

GOVERNMENTAL ACTIVITIES DIRECT AND OVERLAPPING DEBT

DECEMBER 31, 2012

Taxing Body	Debt		City's Share		Per Capita
	Amount	As of	Percent	Amount	
Estimated overlapping debt:					
Atchison County	\$ 4,807,244	12/31/12	56%	\$ 2,692,057	\$ 246
USD No. 409	16,140,000	12/31/12	84%	13,557,600	1,239
	<u>20,947,244</u>			<u>16,249,657</u>	<u>1,485</u>
Direct debt:					
City of Atchison	<u>3,411,151</u>	12/31/12	100%	<u>3,411,151</u>	<u>312</u>
Direct and estimated overlapping debt	<u>\$ 24,358,395</u>			<u>\$ 19,660,808</u>	<u>\$ 1,797</u>

Source: Atchison County Clerk

Information represents the share of the respective debt which are obligations of the citizens of Atchison.

CITY OF ATCHISON, KANSAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN YEARS

Fiscal Year	City Population	County Total Personal Income (000's omitted)	County Per Capita Income	School Enrollment	Unemployment Rate (Atchison County)
2003	10,140	\$ 386,326 r	\$ 22,893 r	2,249	5.60%
2004	10,111	412,419 r	24,350 r	2,238	5.90%
2005	10,190	426,687 r	25,300 r	2,238	5.60%
2006	10,232	455,125	26,927 r	2,215	4.80%
2007	10,154	476,194	28,237 r	2,225	4.50%
2008	10,078	501,972	29,844	2,193 r	4.40%
2009	10,402	481,898 r	28,405 r	2,154	9.50%
2010	10,432	479,310 r	28,375 r	2,234	9.10%
2011	11,021	528,958	31,499	2,207	8.10%
2012	10,943	NA	NA	2,198	6.80%

Population figures presented are for the city only. The Personal Income and Per Capita Income figures are for the entire county.

r: revised

NA: Not Available

Sources:

Population: Atchison County Clerk

Total Personal Income: Bureau of Economic Analysis

Per Capita Income: Bureau of Economic Analysis

School Enrollment: Kansas State Department of Education

Unemployment Rate: Bureau of Labor Statistics

CITY OF ATCHISON, KANSAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Bradken (formerly Atchison Casting)	587	1	6.74%	NOT AVAILABLE		
USD 409	320	2	3.68%			
Atchison Hospital	312	3	3.58%			
Benedictine College	311	4	3.57%			
MGP, Inc.	275	5	3.16%			
Wal Mart	200	6	2.30%			
Atchison County	170	7	1.95%			
Fargo Assembly	110	8	1.26%			
City of Atchison	105	9	1.21%			
Northwest Pipe	100	10	1.15%			
Total	<u>2,490</u>		<u>29%</u>	<u>0</u>		<u>0%</u>

Source: Community Development Department

Data on principal employers nine years ago is not available

CITY OF ATCHISON, KANSAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
City Manager	3	3	3	3	3	3	3	3	3	3
Finance	5	5	4.5	5.5	4.5	4.5	3.5	3.5	4.5	4.5
Municipal Court	1	1	1	1	1	1	1	1	1	1
Grants Administration	1	1	0	0	0	0	0	0	0	0
Community Development(b)	2	2	2	2	3	3.5	3.5	3.5	4.5	4.5
Engineering	5	4	4	4	3	4	4	4	2	2
Public Safety										
Police	24	23	23	23	21	23	23	22	22	23
Animal Control	1	1	1	1	1	1	1	1	1	1
Fire	19	19	19	18	19	19.75	18.75	19.75	19.75	19.75
Public Works Admin	0	0	0	0	0	0	0	0	22	22
Public Works										
Street	9	10	10	9	11	11	11	9	0	0
Fleet Maintenance	3	3	3	2	2	2	2	2	0	0
Construction Engineering	0	0	0	1	1	1	0	0	0	0
Parks and Recreation										
Parks	5	6	6	6	7	7	7	6	0	0
Water/Wastewater (a)	0	0	1.5	20.5	21.5	21.5	19.5	19.5	18.5	18.5
Refuse	6	6	6	6	6	6	6	6	6	6
Total	84	84	84	102	104	108.25	103.25	100.25	104.25	105.25

(a) Water utility employees added to city payroll beginning 1/1/2006. Prior to that date utility was managed by a private 3rd party.

(b) Departments were restructured in 2011

CITY OF ATCHISON, KANSAS
 OPERATING INDICATORS BY PROGRAM/FUNCTION
 LAST EIGHT FISCAL YEARS

Program/Function	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
Police								
Dispatched calls	14,317	13,450	14,230	14,962	14,501	13,903	13,786	13,458
Criminal cases	1,493	1,428	1,527	1,847	1,806	1,680	1,773	1,796
Criminal cases cleared	911	868	951	1,192	1,242	1,182	1,161	1,206
Arrests	995	787	870	1,121	1,166	1,047	1,117	1,147
Serious crimes	367	445	421	535	519	412	401	530
Fire								
Emergency Responses	411	421	454	361	290	340	343	339
First Responder/Medical	488	562	553	586	556	570	603	635
Life Safety Inspections	675	675	666	657	657	657	657	657
Property Loss (thousands of \$)	\$ 190	\$ 2,791	\$ 338	\$ 355	\$ 355	N/A	N/A	N/A
Refuse collected (tons/year)								
Trash	3,230	3,273	3,562	3,742	3,608	3,293	3,207	3,188
Construction/Demolition	226	333	270	-	-	-	-	-
Brush	151	143	22	-	106	232	136	128
Metal	41	28	62	42	-	-	-	-
Water								
New connections	21	31	18	12	16	18	8	5
Water main breaks	23	31	30	30	20	33	23	31
Replaced bad service lines	46	45	33	54	44	31	29	33
Average daily consumption (thousands of gallons)	3,944	3,658	4,039	4,003	3,753	4,097	3,879	4,054
Peak daily consumption (thousands of gallons)	5,565	5,026	5,059	4,954	5,287	5,482	6,037	6,414
Wastewater								
Average daily sewage treatment (thousands of gallons)	1,562	1,301	1,458	1,698	1,757	1,740	946	1,283

Operating indicator information not available for 2003-2004.
 Refuse statistics source: Atchison County Transfer Station
 2008 Construction/Demolition and Brush are included in Trash
 2009-2012 Construction/Demolition and Metal are included in Trash

CITY OF ATCHISON, KANSAS
 CAPITAL ASSET STATISTICS BY PROGRAM/FUNCTION
 LAST EIGHT FISCAL YEARS

Program/Function	2005	2006	2007	2008	2009	2010	2011	2012
Police								
Stations	1	1	1	1	1	1	1	1
Patrol units	10	10	10	10	10	10	10	10
Fire Stations	1	1	1	1	1	1	1	1
Refuse Collection								
Collection trucks	2	2	2	2	2	2	2	2
Other Public Works								
Streets (miles)	77	77	77	77	77	77	77	77
Highways (miles)	8	8	8	8	8	8	8	8
Traffic Signals	12	12	12	10	11	11	11	11
Parks and Recreation								
Acreage	332	332	332	332	332	332	332	332
Playgrounds	7	7	7	7	7	7	7	7
Baseball/Softball diamonds	6	6	6	6	6	6	5	5
Water								
Water mains (miles)	100	100	100	100	100	95	95	95
Fire hydrants	519	532	537	547	556	556	560	565
Storage capacity (000's gallons)	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750
Wastewater								
Sanitary Sewers (miles)	20	20	20	20	20	20	20	20
Storm Sewer (combined, miles)	80	80	80	80	80	80	80	80
Treatment capacity (000's gallons)	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
Treatment capacity (000's gallons)	8,400	8,400	8,400	8,400	8,400	8,400	8,400	8,400

Capital asset information not available for 2003-2004.

THE WATER SYSTEM

The following data, along with the financial information found elsewhere in this Comprehensive Annual Financial Report (the CAFR), is being provided in order to comply with certain provisions of Rule 15c2-12 of the Securities and Exchange Commission (the SEC Rule). In conjunction with the issuance of its outstanding water system bonds, the City has agreed to disseminate the CAFR to each Nationally Recognized Municipal Securities Information Repository and State Information Repository, if any, both as defined in the SEC Rule, within 180 days after the end of its Fiscal Year.

Description - The Water System

Number of Treatment Plants:	1
Year Plant Constructed	1949 - updated 2002
Daily Treatment Capacity:	8.0 million gallons
Treated Water Storage Capacity:	1.0 million gallons in clearwell 1.25 million gallons in 5 elevated tanks
Distribution Lines:	118 miles
Source of Water:	Missouri River
% of Water Sold Outside City:	17.6%

Ten Largest Users

<u>Company</u>	<u>Product</u>	<u>Gallons</u>
MGP Ingredients, Inc.	Manufacturing	579,834,236
RWD #5	Water district	147,254,750
Bradken (Atchison Casting)	Manufacturing	46,680,339
RWD #6	Water district	37,205,520
Benedictine College	College	31,085,234
Bunge Milling, Inc.	Grain processing	11,934,462
RWD #1	Water District	11,751,080
Mount St. Scholastica	School	9,060,524
Atchison Public Schools	School District	8,422,749
Atchison Hospital	Hospital	5,054,603

Consumption and Usage - 2012

Total Gallons Consumed:	1,259,751,897 gallons
Peak Daily Production:	6,414,000 gallons

Number of Customers as of December 31, 2012

Number of Residential Meters:	3,672
Number of Commercial Meters:	481

Water Rate Structure

All Users
Minimum Monthly Charge (includes first 266 cubic feet of usage):

Meter Size	Outside City Limits Current Rates (effective 1/1/12)	Inside City Limits Current Rates (effective 1/1/12)
5/8" or less	\$ 37.20	\$ 24.80
3/4"	60.17	40.11
1"	99.54	66.36
1.5"	186.00	124.00
2"	251.64	167.76
3"	492.33	328.22
4"	820.55	547.03
6"	1,083.12	722.08
8"	1,258.17	838.78

Future Borrowing Plans

The City has borrowed \$3.8 from the State of Kansas SRF program in order to fund replacement of pre 1930 water mains (\$2.2 million) and replacement of the high service pump station (\$1.6 million). These projects were selected by KDHE for completion under the American Recovery and Reinvestment Act (ARRA). All criteria are met for ARRA and the loan principal has been reduced by 32% (loan forgiveness). The City has entered into additional loan agreements with the State Revolving Loan Fund for a total of \$9.4 million to fund additional water storage, replace a booster pump station and ozone treatment necessary to meet EPA requirements.

Future Rate Increases

Rates were increased by 6% for all rate classes effective with the January 2013 billing period. Rate increases ranging from 4% to 6% will be required in future years to fund ongoing operations and debt service for the projects mentioned above.

THE SEWER SYSTEM

The following data, along with the financial information found elsewhere in this Comprehensive Annual Financial Report (the CAFR), is being provided in order to comply with certain provisions of Rule 15c2-12 of the Securities and Exchange Commission (the SEC Rule). In conjunction with the issuance of its outstanding sewer system bonds, the City has agreed to disseminate the CAFR to each Nationally Recognized Municipal Securities Information Repository and State Information Repository, if any, both as defined in the SEC Rule, within 180 days after the end of its Fiscal Year.

Description - The Sewer System

Number of Treatment Plants:	2
Year Plant Constructed:	1959
Year of Last Significant Upgrades:	1979
Daily Treatment Capacity:	2.8 dry million gallons 8.4 wet million gallons
Type of Treatment:	Conventional Activated Sludge
Collection Lines:	87 miles

Ten Largest Users

<u>Company</u>	<u>Product or Service</u>	<u>Estimated Gallons Treated</u>
Bradken (Atchison Casting Corp.)	Manufacturing	44,780,501
Benedictine College	College	24,531,280
Atchison Hospital	Hospital	4,890,948
Bunge Milling	Grain Processing	4,729,966
Mt. St. Scholastica	Religious Institution	4,438,318
St. Benedicts Abbey	Religious Institution	3,048,100
Atchison Senior Village	Senior Housing	3,018,330
Atchison Public Schools	School District	2,852,954
Northwest Pipe	Manufacturing	2,627,574
Atchison Housing Authority	Housing	2,373,127

Treatment and Usage – 2012

Total Gallons Treated:	469,675,000 gallons
Peak Daily Treatment:	3,484,000 gallons

Number of Customers as of December 31, 2012

Number of Residential Meters:	3,672
Number of Commercial & Industrial Meters:	475
Number of Rural Water District Meters:	6

Sewer Rate Structure

Residential users are billed based on average monthly water use during the months of January, February and March. Commercial users are billed on their water usage; they are not on an average sewer.

	<u>Current Rate</u> <u>Effective 1/1/11</u>
Minimum monthly charge (includes first 667 cubic feet of water consumption)	\$ 20.74
All usage over 667 cubic feet (charge per 1,000 cubic feet)	4.14

Future Borrowing Plans

The City has secured a \$3.6 million loan from the Kansas Department of Health and Environment's State Revolving Fund in order to perform federally mandated repairs and upgrades to the sewer system. The final interest rate is 2.84%. The loan will be repaid over 20 years.

Future Rate Increases

A rate increase of 5% became effective with the January 2013 billing period.

Single Audit Section

2012

CITY OF ATCHISON, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Award Amount	Expenditures
U.S. Department of Housing and Urban Development:				
Passed through the Kansas Housing Resources Corporation:				
2011 Emergency Shelter Program	14.231	ESG-FFY-2011	\$ 14,368	\$ 7,704
2012 Emergency Shelter Program	14.231	ESG-FFY-2012	30,820	<u>3,027</u>
Total U.S. Department of Housing and Urban Development				<u>10,731</u>
U.S. Department of Justice:				
Bulletproof Vest Partnership Program	16.607	1121-0235	7,500	<u>283</u>
U.S. Department of Homeland Security:				
Passed through the Kansas Division of Emergency Management				
Disaster Grants - Public Assistance	97.036	FEMA Disaster #4035	-	<u>151,660</u>
U.S. Environmental Protection Agency:				
Passed through the Kansas Department of Health and Environment:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	KPWSLF Project No. 2745	4,448,093	<u>101,266</u>
U.S. Department of Transportation:				
Highway Safety Cluster:				
Passed through the Kansas Department of Transportation:				
State and Community Highway Safety	20.600	OP-1294-12	6,000	4,974
Highway Planning and Construction Cluster:				
Passed through the Kansas Department of Transportation:				
Highway Planning and Construction	20.205	K-8238-02	52,660	52,660
Airport Improvement Program	20.106	3-20-0004-06-2010	95,418	14,359
Airport Improvement Program	20.106	3-20-0004-009-2012	356,490	325,349
Airport Improvement Program	20.106	3-20-0004-008-2012	432,239	12,968
Airport Improvement Program	20.106	3-20-0004-07-2011	52,915	<u>9,778</u>
Total U.S. Department of Transportation				<u>420,088</u>
Total expenditures of federal awards				<u>\$ 684,028</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF ATCHISON, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2012

1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of Atchison, Kansas (the City). The City's reporting entity is defined in Note 1 of the City's basic financial statements. All federal awards passed through other government agencies are included on the schedule.

2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting which is described in Note 1 of the City's basic financial statements.

CITY OF ATCHISON, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2012

Section I – Summary of Independent Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified: None

Significant deficiencies identified that are not considered to be material weaknesses: None reported

Noncompliance material to financial statements: None

Federal Awards

Internal control over major programs:

Material weaknesses identified: None

Significant deficiencies identified that are not considered to be material weaknesses: None reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133: None

Identification of major programs:

CFDA Number

Name of Federal Program

20.106

Airport Improvement Program

CITY OF ATCHISON, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Dollar threshold used to distinguish between Type A and
Type B programs: \$ 300,000

Auditee qualified as a low-risk auditee: No

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award Findings and Questioned Cost

No matters reported.

CITY OF ATCHISON, KANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2012

None



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and City Commission
City of Atchison, Kansas:

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Atchison, Kansas (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berwick Trahan + Co., P.A.

Topeka, Kansas
June 13, 2013



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE**

The Honorable Mayor and City Commission
City of Atchison, Kansas:

Report on Compliance for Each Major Federal Program

We have audited the City of Atchison, Kansas (the City's) 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 the City's major federal program for the year ended December 31, 2012. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

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

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Berberich Trahan + Co., P.A.

Topeka, Kansas
June 13, 2013