

**CITY OF ATWOOD, KANSAS**

Primary Government Financial Statement  
With Independent Auditors' Report

For the Year Ended December 31, 2012

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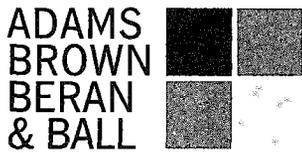
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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the City Council  
**City of Atwood, Kansas**  
Atwood, Kansas

We have audited the accompanying primary government summary statement of regulatory basis receipts, expenditures, and unencumbered cash of **City of Atwood, Kansas**, as of and for the year ended December 31, 2012 and the related notes to the financial statement.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

### **Basis for Adverse Opinion on Aggregate Discretely Presented Related Municipal Entities**

The financial statement referred to above does not include financial data for the City's legally separate related municipal entities. Accounting principles generally accepted in the United States of America require financial data for those related municipal entities to be reported with the financial data

of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its related municipal entities. The City has not issued such reporting entity financial statements. The effect on the financial statement of this departure from accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

**Adverse Opinion on Aggregate Discretely Presented Related Municipal Entities**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Related Municipal Entities" paragraph, the financial statement referred to above does not present fairly the financial position of the aggregate discretely presented related municipal entities of **City of Atwood, Kansas**, as of December 31, 2012, or the changes in financial position thereof for the year then ended.

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1, the financial statement is prepared by **City of Atwood, Kansas** to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on Aggregate Remaining Fund Information**

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Related Municipal Entities" and "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraphs, the financial statement referred to above does not present fairly, in all material respects, the financial position of the aggregate remaining fund information of **City of Atwood, Kansas** as of December 31, 2012, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of **City of Atwood, Kansas** as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* as described in Note 1.

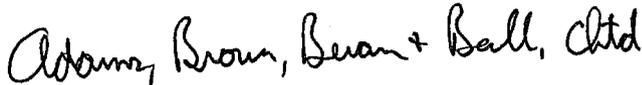
**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures and unencumbered cash (basic financial statement) as a whole. The summary of expenditures – actual and budget, individual fund schedules of receipts and expenditures, and summary of receipts and expenditures – agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement; however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards is presented for purposes of additional

analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statement as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2013, on our consideration of **City of Atwood, Kansas'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **City of Atwood, Kansas'** internal control over financial reporting and compliance.



**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

July 18, 2013

**CITY OF ATWOOD, KANSAS**  
 Summary Statement of Receipts, Expenditures, and Unencumbered Cash  
 Regulatory Basis  
 For the Year ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Type Funds</b>							
<b>General Fund</b>	\$ 159,519	-	769,925	795,385	134,059	22,516	156,575
<b>Special Purpose Funds</b>							
Airport Fund	881	-	5,310	5,247	944	-	944
Library Fund	331	-	39,874	39,969	236	-	236
Special Highway Fund	5,033	-	30,893	26,964	8,962	-	8,962
Special Parks and Recreation Fund	2,010	-	5,466	4,804	2,672	39	2,711
Tourism and Convention Fund	8,261	-	5,411	1,215	12,457	-	12,457
Atwood Township Fund	1,672	-	66,522	66,223	1,971	490	2,461
Atwood Walkway Fund	3,667	-	300	768	3,199	-	3,199
Community Playground Fund	475	-	-	-	475	-	475
Special Equipment Fund	14,633	-	-	-	14,633	-	14,633
Park Reserve Fund	15,087	-	34,866	44,617	5,336	-	5,336
Theater Reserve Fund	21,279	-	12,861	15,272	18,868	-	18,868
Recycling Fund	(262)	-	6,780	6,737	(219)	430	211
<b>Capital Project Fund</b>							
Water Project Fund	(125,373)	-	1,143,779	1,015,951	2,455	-	2,455
<b>Business Funds</b>							
Airport Fuel Fund	9,774	-	11,907	7,010	14,671	-	14,671
Waterworks Fund	371,109	-	506,423	567,695	309,837	2,626	312,463
Water Loan Fund	709,418	-	240,889	194,189	756,118	-	756,118
Sewer Fund	57,877	-	66,265	72,889	51,253	9,763	61,016
Sewer Loan Fund	384,822	-	105,235	64,291	425,766	-	425,766
Landfill Fund	5,714	-	4,855	7,000	3,569	-	3,569
<b>Trust Fund</b>							
Obert Park Fund	3,753	-	3,000	4,000	2,753	-	2,753
<b>Total Primary Government (Excluding Agency Funds)</b>	<u>\$ 1,649,680</u>	<u>-</u>	<u>3,060,561</u>	<u>2,940,226</u>	<u>1,770,015</u>	<u>35,864</u>	<u>1,805,879</u>
<b>Composition of Cash</b>							
						\$	639,848
							1,157,648
							150
							26,212
							1,823,858
							(17,979)
<b>Total Primary Government (Excluding Agency Funds)</b>						<u>\$</u>	<u>1,805,879</u>

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

**CITY OF ATWOOD, KANSAS**  
Notes to Financial Statement  
December 31, 2012

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**City of Atwood, Kansas** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statement is presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

**Use of Estimates**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

**Financial Reporting Entity**

The City is a municipal corporation governed by an elected five-member council. This financial statement does not include the related municipal entities shown below. A related municipal entity is an entity established to benefit the City and/or its constituents.

**Housing Authority of the City of Atwood**

The City's housing authority operates the City's housing projects. The housing authority can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City. Audited financial statements can be obtained by contacting the housing authority's office.

**Atwood Public Library**

The City's library board operates the City's public library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City. Unaudited financial statements can be obtained by contacting the library.

The City is the primary government as defined in GASB #61. The City council is elected by the public. The council has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters.

**Basis of Presentation – Fund Accounting**

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following types of funds comprise the financial activities of the City for the year ended December 31, 2012.

**Regulatory Basis Fund Types**

**General Fund** – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

**Special Purpose Fund** – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for

**CITY OF ATWOOD, KANSAS**  
Notes to Financial Statement  
December 31, 2012

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specified purposes.

**Bond and Interest Fund** – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

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

**Business Fund** – fund financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service funds, etc.).

**Trust Fund** – fund used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

**Agency Fund** – fund used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

**Basis of Accounting**

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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

**Departure From Accounting Principles Generally Accepted in the United States of America**

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statement. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, and temporary notes are not presented in the financial statement.

**Property Tax Calendar**

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with

**CITY OF ATWOOD, KANSAS**  
Notes to Financial Statement  
December 31, 2012

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governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

**Restricted Assets**

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust and agency funds of the City for special purposes.

**Reimbursements**

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

**NOTE 2 – BUDGETARY INFORMATION**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were two budget amendments for this year for the Airport Fund and the Water Loan Fund.

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

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

**CITY OF ATWOOD, KANSAS**  
Notes to Financial Statement  
December 31, 2012

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A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds: Atwood Walkway Fund, Special Equipment Fund, Second Century Donations, Pool Reserve Fund, Park Reserve Fund, and Theater Reserve Fund.

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**City of Atwood, Kansas** follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary statement of receipts, expenditures and unencumbered cash.

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

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

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50. The City does not use "peak periods". All deposits were legally secured at December 31, 2012.

At December 31, 2012, the City's carrying amount of deposits was \$1,823,858 and the bank balance was \$1,829,112. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$523,037 was covered by federal depository insurance and \$1,306,075 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2012.

**NOTE 4 – INTERFUND TRANSFERS**

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Atwood, Kansas'** interfund transfers and regulatory authority for

**CITY OF ATWOOD, KANSAS**  
Notes to Financial Statement  
December 31, 2012

the year ended December 31, 2012 were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
General Fund	Theater Reserve Fund	per Council	\$ 4,764
Waterworks Fund	Water Loan Fund	K.S.A. 12-825d	240,000
Landfill Fund	Recycling Fund	K.S.A. 12-2104	4,500

**NOTE 5 – CAPITAL PROJECTS**

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

<u>Project Authorization</u>	<u>Cash Disbursements and Accounts Payable To Date</u>
Water System Project	\$ 6,154,804
	\$ 6,545,995

**NOTE 6 – LITIGATION**

**City of Atwood, Kansas** is a party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

**NOTE 7 – RISK MANAGEMENT**

**City of Atwood, Kansas** carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 8 – GRANTS AND SHARED REVENUES**

**City of Atwood, Kansas** participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

**City of Atwood, Kansas** entered into an arms length transaction with council member Tim Colgan. The City paid \$6,274 for items purchased from Brown's True Value during the year ended December 31, 2012. Tim Colgan is the owner of the business.

The City also entered into an arms length transaction with the father of a council member, Robert Prideaux. The City paid \$3,300 to Robert Prideaux for cleaning services during the year ended December 31, 2012.

**CITY OF ATWOOD, KANSAS**  
Notes to Financial Statement  
December 31, 2012

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**NOTE 10 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Expenditures were in excess of available monies in the Recycling Fund by \$219, which is a violation of K.S.A. 10-1113.

The City has two checks outstanding for over two years that has not been restored to the fund originally charged, which is a violation of K.S.A. 10-816.

Expenditures exceeded budgeted amounts in the following fund, which is in violation of K.S.A. 79-2935:

Waterworks Fund	\$ 54,513
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**NOTE 11 – DEFERRED COMPENSATION PLAN**

**City of Atwood, Kansas** sponsors a deferred compensation plan under Internal Revenue Code Section 403(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The City is not required to make any contributions.

**NOTE 12 – DEFINED BENEFIT PENSION PLAN**

Plan Description

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

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERs member-employee contribution rates. Effective July 1, 2009 KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERs member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

**NOTE 13 – OTHER POST EMPLOYMENT BENEFITS**

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined

**CITY OF ATWOOD, KANSAS**  
Notes to Financial Statement  
December 31, 2012

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by the federal government for this coverage. The premium is paid in full by the insured.

**NOTE 14 – COMPENSATED ABSENCES**

**Vacation**

After completing one full year of employment, all full-time regular City employees are eligible to participate in the paid vacation program. Employees with less than 20 years service accrue 1 day per month. Employees with 20 or more years service accrue 1.5 days per month. No more than 36 days of vacation may be accrued. Employees will be paid for any accrued and unused vacation when their employment terminates. The potential liability for vacation at December 31, 2012 was \$16,734. This is reflected in the financial statement.

**Sick Leave**

The City provides paid sick leave to all full-time employees immediately upon employment. Eligible employees accrue one day per month. Employees may accrue an indefinite amount of sick leave. The City will pay employees for up to 30 unused sick days at a rate of 33% of regular pay per hour upon voluntary separation. Employees may transfer their accrued sick leave hours, not to exceed 240 hours, to another eligible employee with approval by the Mayor. At retirement, the City will pay up to and including 30 accrued sick days at the current pay scale for the individual. The potential liability for sick leave at December 31, 2012 was \$35,999. This is not reflected in the financial statement.

**NOTE 15 – LONG-TERM DEBT**

**City of Atwood, Kansas** has the following types of long-term debt.

**General Obligation Bonds**

On June 28, 2004, the City issued \$1,642,900 in Series 2004 bonds for the purpose of water system enhancements.

On December 28, 2010, the City issued \$1,500,000 in Series A 2010 general obligation bonds for the purpose of water system enhancements.

On December 28, 2010, the City issued \$867,000 in Series B 2010 general obligation bonds for the purpose of water system enhancements.

**KDHE Revolving Loan**

The City entered into an \$827,519 revolving loan agreement on December 31, 1999 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas to finance the construction of a sewer lagoon.

**Lease Obligations**

The City has entered into lease agreements with an option to purchase at the expiration of the lease terms. The leases contain a fiscal funding clause.

**CITY OF ATWOOD, KANSAS**  
Notes to Financial Statement  
December 31, 2012

Changes in long-term liabilities for the City for the year ended December 31, 2012, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
<b>General Obligation Bonds</b>									
Series 2004 Water System	4.38%	6/28/2004	\$ 1,642,900	6/28/2044	\$ 1,534,000	-	21,000	1,513,000	67,113
Series 2010A Water System	3.75%	12/28/2010	1,500,000	12/28/2050	1,483,261	-	17,367	1,465,894	55,622
Series 2010B Water System	2.25%	12/28/2010	867,000	12/28/2050	853,107	-	13,893	839,214	19,195
<b>KDHE Loan</b>									
Water Pollution Control Project	3.49%	12/31/1999	827,519	9/1/2019	408,015	-	50,488	357,527	12,814
<b>Capital Leases Payable</b>									
Bobcat and Attachments	5.25%	12/30/2009	47,899	12/30/2013	19,362	-	19,362	-	997
Police Vehicles	5.25%	3/8/2010	58,844	12/30/2014	35,222	-	11,760	23,462	1,839
Theater Equipment	5.25%	4/20/2010	45,000	4/20/2015	28,600	-	13,600	15,000	2,900
Street Sweeper	3.50%	12/5/2012	111,500	1/30/2018	-	111,500	-	111,500	-
<b>Total Contractual Indebtedness</b>					<b>\$ 4,361,567</b>	<b>111,500</b>	<b>147,470</b>	<b>4,325,597</b>	<b>160,480</b>

**CITY OF ATWOOD, KANSAS**  
Notes to Financial Statement  
December 31, 2012

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

	YEAR											Total	
	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	2043-2047		2048-2050
<b>Principal</b>													
General Obligation Bonds	\$ 54,224	56,219	58,247	60,308	62,405	350,774	420,135	507,417	609,715	734,339	605,849	298,476	<b>3,818,108</b>
KDHE Loan	52,266	54,105	56,010	57,982	60,023	77,141	-	-	-	-	-	-	<b>357,527</b>
Capital Leases Payable	20,361	39,191	31,947	22,778	23,585	12,100	-	-	-	-	-	-	<b>149,962</b>
<b>Total Principal</b>	<b>126,851</b>	<b>149,515</b>	<b>146,204</b>	<b>141,068</b>	<b>146,013</b>	<b>440,015</b>	<b>420,135</b>	<b>507,417</b>	<b>609,715</b>	<b>734,339</b>	<b>605,849</b>	<b>298,476</b>	<b>4,325,597</b>
<b>Interest</b>													
General Obligation Bonds	140,047	138,089	136,055	133,934	131,754	622,646	553,320	469,063	366,678	242,579	103,649	19,756	<b>3,057,570</b>
KDHE Loan	11,164	9,456	7,688	5,857	3,962	2,244	-	-	-	-	-	-	<b>40,371</b>
Capital Leases Payable	5,342	5,072	3,149	1,852	1,045	213	-	-	-	-	-	-	<b>16,673</b>
<b>Total Interest</b>	<b>156,553</b>	<b>152,617</b>	<b>146,892</b>	<b>141,643</b>	<b>136,761</b>	<b>625,103</b>	<b>553,320</b>	<b>469,063</b>	<b>366,678</b>	<b>242,579</b>	<b>103,649</b>	<b>19,756</b>	<b>3,114,614</b>
<b>Total Principal and Interest</b>	<b>\$ 283,404</b>	<b>302,132</b>	<b>293,096</b>	<b>282,711</b>	<b>282,774</b>	<b>1,065,118</b>	<b>973,455</b>	<b>976,480</b>	<b>976,393</b>	<b>976,918</b>	<b>709,498</b>	<b>318,232</b>	<b>7,440,211</b>



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

To the City Council  
**City of Atwood, Kansas**  
Atwood, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Accounting and Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of **City of Atwood, Kansas**, as of and for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated July 18, 2013. The report on the audited financial statement was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was unqualified as presented on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

*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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2012-1) to be a material weakness. 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (2012-2) to be a significant deficiency.*

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether **City of Atwood, Kansas'** financial statement is 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*.

### City of Atwood, Kansas' Response to Findings

**City of Atwood, Kansas'** response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **City of Atwood, Kansas'** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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 result 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.

  
ADAMS, BROWN, BERAN & BALL, CHTD.  
Certified Public Accountants

July 18, 2013



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
AS REQUIRED BY OMB CIRCULAR A-133**

To the City Council  
**City of Atwood, Kansas**  
Atwood, Kansas

**Report on Compliance for Each Major Federal Program**

We have audited **City of Atwood, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on **City of Atwood, Kansas'** major federal program for the year ended December 31, 2012. **City of Atwood, Kansas'** major federal programs are identified in the summary of auditors' 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 programs.

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, **City of Atwood, Kansas'** 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 program for the year ended December 31, 2012.

### Report on Internal Control Over Compliance

Management of **City of Atwood, Kansas** 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 **City of Atwood, Kansas'** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 **City of Atwood, Kansas'** internal control over compliance.

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



**ADAMS, BROWN, BERAN & BALL, CHTD.**  
Certified Public Accountants

July 18, 2013

**CITY OF ATWOOD, KANSAS**

Regulatory-Required Supplementary Information

**CITY OF ATWOOD, KANSAS**  
 Summary of Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>Governmental Type Funds</b>					
<b>General Fund</b>	\$ 724,764	73,110	797,874	795,385	(2,489)
<b>Special Purpose Funds</b>					
Airport Fund	5,301	-	5,301	5,247	(54)
Library Fund	40,182	-	40,182	39,969	(213)
Special Highway Fund	32,676	-	32,676	26,964	(5,712)
Special Parks and Recreation Fund	6,736	-	6,736	4,804	(1,932)
Tourism and Convention Fund	15,000	-	15,000	1,215	(13,785)
Atwood Township Fund	83,536	-	83,536	66,223	(17,313)
Community Playground Fund	547	-	547	-	(547)
Recycling Fund	7,149	-	7,149	6,737	(412)
<b>Bond and Interest Fund</b>					
Bond and Interest Fund	5,195	-	5,195	-	(5,195)
<b>Business Funds</b>					
Airport Fuel Fund	24,078	-	24,078	7,010	(17,068)
Waterworks Fund	513,182	-	513,182	567,695	54,513
Water Loan Fund	195,000	-	195,000	194,189	(811)
Sewer Fund	105,000	-	105,000	72,889	(32,111)
Sewer Loan Fund	65,000	-	65,000	64,291	(709)
Landfill Fund	9,500	-	9,500	7,000	(2,500)
<b>Trust Fund</b>					
Obert Park Fund	5,150	-	5,150	4,000	(1,150)

**CITY OF ATWOOD, KANSAS**  
**General Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 218,016	229,396	236,070	(6,674)
Delinquent Tax	6,399	-	-	-
Motor Vehicle Tax	41,112	41,691	32,373	9,318
16/20 Vehicle Tax	1,744	2,417	1,830	587
Recreational Vehicle Tax	561	589	447	142
Intangibles Tax	23,852	21,195	20,300	895
Intergovernmental Revenues				
Local Alcoholic Liquor Tax	4,691	5,466	4,700	766
Local Sales Tax	143,236	168,786	135,000	33,786
Federal Aid	-	3,600	-	3,600
State Aid	-	4,874	-	4,874
Licenses and Permits				
Franchise Fees	101,967	107,595	100,000	7,595
Licenses, Permits and Fees	3,576	3,653	2,100	1,553
Charges for Services	105,175	114,047	83,000	31,047
Use of Money and Property	839	1,380	1,300	80
Miscellaneous	2,491	7,485	600	6,885
Insurance Proceeds	-	52,576	-	52,576
Reimbursements	49,243	5,175	-	5,175
Transfers In	5,235	-	-	-
<b>Total Cash Receipts</b>	<b>708,137</b>	<b>769,925</b>	<b>617,720</b>	<b>152,205</b>
<b>Expenditures</b>				
General Government	155,493	173,113	121,832	51,281
Police Department	179,631	174,627	163,292	11,335
Streets	51,107	144,844	117,901	26,943
Street Lighting	31,059	31,109	21,000	10,109
Fire	26,815	8,469	14,000	(5,531)
Court	10,650	10,663	10,000	663
Parks and Recreation	94,902	48,058	-	48,058
Pool	-	64,689	87,000	(22,311)
Theater	-	62,614	48,000	14,614
Employee Benefits	32,353	38,369	41,039	(2,670)
Economic Development	20,000	20,000	8,000	12,000
Neighborhood Revitalization Rebate	6,120	12,750	-	12,750
Miscellaneous	100,513	1,316	92,700	(91,384)
Transfers Out	-	4,764	-	4,764
(a) Adjustment for Qualifying Budget Credits	-	-	73,110	(73,110)
<b>Total Expenditures</b>	<b>708,643</b>	<b>795,385</b>	<b>797,874</b>	<b>(2,489)</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>(506)</b>	<b>(25,460)</b>		
<b>Unencumbered Cash - Beginning As Previously Stated</b>	<b>166,104</b>	<b>159,519</b>		
<b>Prior Period Adjustment</b>	<b>(6,079)</b>	<b>-</b>		
<b>Unencumbered Cash - Ending As Restated</b>	<b>160,025</b>	<b>159,519</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 159,519</b>	<b>134,059</b>		
<b>(a) Adjustment for Qualifying Budget Credits</b>				
Reimbursed Expense Over Amount Budgeted			\$ 5,175	
Federal Aid Over Amount Budgeted			3,600	
State Aid Over Amount Budgeted			4,874	
Miscellaneous Revenue Over Amount Budgeted			6,885	
Insurance Proceeds Over Amount Budgeted			52,576	
<b>Total</b>			<b>\$ 73,110</b>	

**CITY OF ATWOOD, KANSAS**  
**Airport Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 4,227	4,444	4,271	173
Delinquent Tax	124	-	-	-
Motor Vehicle Tax	797	808	681	127
Recreational Vehicle Tax	11	11	10	1
16/20M Vehicle Tax	34	47	38	9
<b>Total Cash Receipts</b>	5,193	5,310	5,000	310
<b>Expenditures</b>				
Neighborhood Revitalization Rebate	119	247	301	(54)
Appropriations to Board	4,244	5,000	5,000	-
<b>Total Expenditures</b>	4,363	5,247	5,301	(54)
<b>Cash Receipts Over (Under) Expenditures</b>	830	63		
<b>Unencumbered Cash - Beginning</b>	51	881		
<b>Unencumbered Cash - Ending</b>	\$ 881	944		

**CITY OF ATWOOD, KANSAS**  
**Library Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 10,592	11,136	11,458	(322)
Delinquent Tax	311	-	341	(341)
Motor Vehicle Tax	1,996	2,025	1,572	453
16/20 Vehicle Tax	85	118	89	29
Recreational Vehicle Tax	27	29	22	7
Intergovernmental Revenue				
Rawlins County	26,598	26,566	26,700	(134)
<b>Total Cash Receipts</b>	<u>39,609</u>	<u>39,874</u>	<u>40,182</u>	<u>(308)</u>
<b>Expenditures</b>				
Neighborhood Revitalization Rebate	297	619	-	619
Appropriations	39,418	39,350	40,182	(832)
<b>Total Expenditures</b>	<u>39,715</u>	<u>39,969</u>	<u>40,182</u>	<u>(213)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(106)	(95)		
<b>Unencumbered Cash - Beginning</b>	<u>437</u>	<u>331</u>		
<b>Unencumbered Cash - Ending</b>	<u>\$ 331</u>	<u>236</u>		

**CITY OF ATWOOD, KANSAS**  
**Special Highway Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenue				
Gasoline Tax	\$ 29,101	<b>30,893</b>	<u>29,340</u>	<u>1,553</u>
<b>Expenditures</b>				
Personal Services	<u>31,939</u>	<u><b>26,964</b></u>	<u>32,676</u>	<u>(5,712)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(2,838)	<b>3,929</b>		
<b>Unencumbered Cash - Beginning</b>	<u>7,871</u>	<u><b>5,033</b></u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>5,033</u>	<u><b>8,962</b></u>		

**CITY OF ATWOOD, KANSAS**  
**Special Parks and Recreation Fund**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Liquor Tax	\$ 4,691	5,466	4,700	766
Miscellaneous	10	-	-	-
<b>Total Cash Receipts</b>	<u>4,701</u>	<u>5,466</u>	<u>4,700</u>	<u>766</u>
<b>Expenditures</b>				
Contractual Services	5,570	3,874	6,736	(2,862)
Commodities	791	930	-	930
<b>Total Expenditures</b>	<u>6,361</u>	<u>4,804</u>	<u>6,736</u>	<u>(1,932)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(1,660)	662		
<b>Unencumbered Cash - Beginning</b>	<u>3,670</u>	<u>2,010</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>2,010</u>	<u>2,672</u>		

**CITY OF ATWOOD, KANSAS**  
**Tourism and Convention Fund**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenue				
Guest Tax	\$ 5,074	5,411	4,200	1,211
Donations	-	-	1,000	(1,000)
<b>Total Cash Receipts</b>	5,074	5,411	5,200	211
<b>Expenditures</b>				
Contractual Services	9,679	1,215	15,000	(13,785)
<b>Cash Receipts Over (Under) Expenditures</b>	(4,605)	4,196		
<b>Unencumbered Cash - Beginning</b>	12,866	8,261		
<b>Unencumbered Cash - Ending</b>	\$ 8,261	12,457		

**CITY OF ATWOOD, KANSAS**  
**Atwood Township Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Atwood Township	\$ 63,505	<b>66,522</b>	79,676	(13,154)
<b>Expenditures</b>				
Lake	50,862	<b>54,044</b>	51,536	2,508
Cemetery	13,397	<b>12,179</b>	32,000	(19,821)
<b>Total Expenditures</b>	64,259	<b>66,223</b>	83,536	(17,313)
<b>Cash Receipts Over (Under) Expenditures</b>	(754)	<b>299</b>		
<b>Unencumbered Cash - Beginning</b>	2,426	<b>1,672</b>		
<b>Unencumbered Cash - Ending</b>	\$ 1,672	<b>1,971</b>		

**CITY OF ATWOOD, KANSAS**  
**Atwood Walkway Fund**  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Donations	\$ 75	300
<b>Expenditures</b>		
Walkway Maintenance	-	768
<b>Cash Receipts Over (Under) Expenditures</b>	75	(468)
<b>Unencumbered Cash - Beginning</b>	3,592	3,667
<b>Unencumbered Cash - Ending</b>	\$ 3,667	3,199

**CITY OF ATWOOD, KANSAS**  
**Community Playground Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Interest	\$ -	-	5	(5)
<b>Expenditures</b>				
Playground Maintenance	608	-	547	(547)
<b>Cash Receipts Over (Under) Expenditures</b>	(608)	-		
<b>Unencumbered Cash - Beginning</b>	1,083	475		
<b>Unencumbered Cash - Ending</b>	\$ 475	475		

**CITY OF ATWOOD, KANSAS**  
**Special Equipment Fund**  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>	\$ -	-
<b>Expenditures</b>	-	-
<b>Cash Receipts Over (Under) Expenditures</b>	-	-
<b>Unencumbered Cash - Beginning</b>	14,633	<b>14,633</b>
<b>Unencumbered Cash - Ending</b>	\$ 14,633	<b>14,633</b>

**CITY OF ATWOOD, KANSAS**  
**Second Century Donations Fund**  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Donations	\$ -	-
<b>Expenditures</b>		
Transfer to Park Reserve Fund	3,000	-
<b>Cash Receipts Over (Under) Expenditures</b>	(3,000)	-
<b>Unencumbered Cash - Beginning</b>	3,000	-
<b>Unencumbered Cash - Ending</b>	\$ -	-

**CITY OF ST. FRANCIS, KANSAS**  
**Pool Reserve Fund**  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Donations	\$ 10,000	-
<b>Expenditures</b>		
Pool Purchases	10,000	-
<b>Cash Receipts Over (Under) Expenditures</b>	-	-
<b>Unencumbered Cash - Beginning</b>	-	-
<b>Unencumbered Cash - Ending</b>	\$ -	-

**CITY OF ATWOOD, KANSAS**  
**Park Reserve Fund**  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Donations	\$ 23,785	34,866
Transfers In	9,000	-
<b>Total Cash Receipts</b>	32,785	34,866
<b>Expenditures</b>		
Park Improvements	17,698	44,617
<b>Cash Receipts Over (Under) Expenditures</b>	15,087	(9,751)
<b>Unencumbered Cash - Beginning</b>	-	15,087
<b>Unencumbered Cash - Ending</b>	\$ 15,087	5,336

**CITY OF ATWOOD, KANSAS**  
**Theater Reserve Fund**  
Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Donations	\$ 6,683	8,097
Transfer From General Fund	-	4,764
<b>Total Cash Receipts</b>	6,683	12,861
<b>Expenditures</b>		
Capital Outlay	8,834	15,272
<b>Cash Receipts Over (Under) Expenditures</b>	(2,151)	(2,411)
<b>Unencumbered Cash - Beginning</b>	23,430	21,279
<b>Unencumbered Cash - Ending</b>	\$ 21,279	18,868

**CITY OF ATWOOD, KANSAS**  
**Recycling Fund**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Intergovernmental Revenue				
Rawlins County	\$ 2,040	<b>2,280</b>	1,800	480
Transfers From Landfill Fund	3,600	<b>4,500</b>	5,000	(500)
	<u>5,640</u>	<u><b>6,780</b></u>	<u>6,800</u>	<u>(20)</u>
<b>Total Cash Receipts</b>	5,640	<b>6,780</b>	<b>6,800</b>	<b>(20)</b>
<b>Expenditures</b>				
Contractual Services	6,600	<b>6,737</b>	7,149	(412)
	<u>6,600</u>	<u><b>6,737</b></u>	<u>7,149</u>	<u>(412)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(960)	<b>43</b>		
<b>Unencumbered Cash - Beginning</b>	698	<b>(262)</b>		
	<u>698</u>	<u><b>(262)</b></u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>(262)</u>	<u><b>(219)</b></u>		

**CITY OF ATWOOD, KANSAS**  
**Bond and Interest Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Interest	\$ 40	-	-	-
<b>Expenditures</b>				
Transfers Out	5,235	-	5,195	(5,195)
<b>Cash Receipts Over (Under) Expenditures</b>	(5,195)	-		
<b>Unencumbered Cash - Beginning</b>	5,195	-		
<b>Unencumbered Cash - Ending</b>	\$ -	-		

**CITY OF ATWOOD, KANSAS**  
**Water Project Fund**  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Bond Proceeds	\$ 901,389	-
USDA Grant	-	1,143,715
Interest	203	64
<b>Total Cash Receipts</b>	<u>901,592</u>	<u>1,143,779</u>
<b>Expenditures</b>		
GO Bond Fees	3,829	-
Project Costs	1,729,492	1,015,951
<b>Total Expenditures</b>	<u>1,733,321</u>	<u>1,015,951</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(831,729)	127,828
<b>Unencumbered Cash - Beginning</b>	<u>706,356</u>	<u>(125,373)</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ (125,373)</u>	<u>2,455</u>

**CITY OF ATWOOD, KANSAS**  
**Airport Fuel Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Charges for Services				
Fuel Sales	\$ 9,243	<b>11,907</b>	<u>17,000</u>	<u>(5,093)</u>
<b>Expenditures</b>				
Fuel Purchases	<u>13,624</u>	<u><b>7,010</b></u>	<u>24,078</u>	<u>(17,068)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(4,381)	<b>4,897</b>		
<b>Unencumbered Cash - Beginning</b>	<u>14,155</u>	<u><b>9,774</b></u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>9,774</u>	<u><b>14,671</b></u>		

**CITY OF ATWOOD, KANSAS**  
**Waterworks Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Charges for Services				
Collections	\$ 429,006	<b>480,521</b>	435,000	45,521
Penalties	4,172	<b>4,009</b>	-	4,009
Connection Fees	1,400	<b>3,050</b>	-	3,050
Miscellaneous	657	<b>884</b>	-	884
Reimbursed Expense	1,759	<b>17,959</b>	-	17,959
<b>Total Cash Receipts</b>	<u>436,994</u>	<u><b>506,423</b></u>	<u>435,000</u>	<u>71,423</u>
<b>Expenditures</b>				
Production	6,022	<b>8,613</b>	33,000	(24,387)
Treatment	7,571	<b>7,410</b>	22,000	(14,590)
Distribution	105,647	<b>120,496</b>	92,500	27,996
Administration	76,449	<b>98,106</b>	104,500	(6,394)
Operations	29,589	<b>93,070</b>	46,182	46,888
Transfers Out	240,000	<b>240,000</b>	215,000	25,000
<b>Total Expenditures</b>	<u>465,278</u>	<u><b>567,695</b></u>	<u>513,182</u>	<u>54,513</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(28,284)	<b>(61,272)</b>		
<b>Unencumbered Cash - Beginning</b>	<u>399,393</u>	<u><b>371,109</b></u>		
<b>Unencumbered Cash - Ending</b>	<u>\$ 371,109</u>	<u><b>309,837</b></u>		

**CITY OF ATWOOD, KANSAS**  
**Water Loan Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Interest	\$ 2,402	889	4,000	(3,111)
Transfer From Waterworks Fund	240,000	240,000	215,000	25,000
<b>Total Cash Receipts</b>	242,402	240,889	219,000	21,889
<b>Expenditures</b>				
Principle	50,632	52,260	52,000	260
Interest	143,745	141,929	142,113	(184)
Miscellaneous	-	-	887	(887)
<b>Total Expenditures</b>	194,377	194,189	195,000	(811)
<b>Cash Receipts Over (Under) Expenditures</b>	48,025	46,700		
<b>Unencumbered Cash - Beginning</b>	661,393	709,418		
<b>Unencumbered Cash - Ending</b>	\$ 709,418	756,118		

**CITY OF ATWOOD, KANSAS**  
**Sewer Fund**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Charges for Services Collections	\$ 66,505	<b>66,265</b>	70,000	(3,735)
<b>Expenditures</b>				
Personal Services	13,469	<b>15,875</b>	52,497	(36,622)
Contractual Services	37,186	<b>26,031</b>	22,303	3,728
Commodities	3,359	<b>1,856</b>	5,200	(3,344)
Capital Outlay	5,660	<b>1,419</b>	10,000	(8,581)
Sewer Line Cleaning	32,241	<b>27,708</b>	15,000	12,708
<b>Total Expenditures</b>	91,915	<b>72,889</b>	105,000	(32,111)
<b>Cash Receipts Over (Under) Expenditures</b>	(25,410)	<b>(6,624)</b>		
<b>Unencumbered Cash - Beginning</b>	83,287	<b>57,877</b>		
<b>Unencumbered Cash - Ending</b>	\$ 57,877	<b>51,253</b>		

**CITY OF ATWOOD, KANSAS**  
**Sewer Loan Fund**

Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Service Fees	\$ 97,468	<b>97,321</b>	100,000	(2,679)
Interest	1,167	<b>441</b>	2,000	(1,559)
Miscellaneous	-	<b>7,473</b>	-	7,473
<b>Total Cash Receipts</b>	<u>98,635</u>	<u><b>105,235</b></u>	<u>102,000</u>	<u>3,235</u>
<b>Expenditures</b>				
Principle	48,771	<b>50,488</b>	50,488	-
Interest	15,520	<b>13,803</b>	13,803	-
Miscellaneous	-	-	709	(709)
<b>Total Expenditures</b>	<u>64,291</u>	<u><b>64,291</b></u>	<u>65,000</u>	<u>(709)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	34,344	<b>40,944</b>		
<b>Unencumbered Cash - Beginning</b>	<u>350,478</u>	<u><b>384,822</b></u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>384,822</u>	<u><b>425,766</b></u>		

**CITY OF ATWOOD, KANSAS**  
**Landfill Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Charges for Services Collections	\$ 4,791	<b>4,855</b>	5,000	(145)
<b>Expenditures</b>				
Truck Expense	2,500	<b>2,500</b>	4,500	(2,000)
Transfers Out	3,600	<b>4,500</b>	5,000	(500)
<b>Total Expenditures</b>	6,100	<b>7,000</b>	9,500	(2,500)
<b>Cash Receipts Over (Under) Expenditures</b>	(1,309)	<b>(2,145)</b>		
<b>Unencumbered Cash - Beginning</b>	7,023	<b>5,714</b>		
<b>Unencumbered Cash - Ending</b>	\$ 5,714	<b>3,569</b>		

**CITY OF ATWOOD, KANSAS**  
**Obert Park Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Obert Trust Donation	\$ 2,925	<b>3,000</b>	2,500	500
<b>Expenditures</b>				
Personal Services	1,972	-	5,150	(5,150)
Contractual Services	-	<b>4,000</b>	-	4,000
<b>Total Expenditures</b>	1,972	<b>4,000</b>	5,150	(1,150)
<b>Cash Receipts Over (Under) Expenditures</b>	953	<b>(1,000)</b>		
<b>Unencumbered Cash - Beginning</b>	2,800	<b>3,753</b>		
<b>Unencumbered Cash - Ending</b>	\$ 3,753	<b>2,753</b>		

**CITY OF ATWOOD, KANSAS**  
**Agency Funds**  
 Summary of Receipts and Disbursements  
 Regulatory Basis  
 For the Year Ended December 31, 2012

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Sanitation	\$ (97)	79,672	78,783	<b>792</b>
Flexible Spending Plan	7,471	12,500	13,145	<b>6,826</b>
Atwood Centennial	7,362	-	-	<b>7,362</b>
Atwood Beautification	6,014	950	3,965	<b>2,999</b>
<b>Total Agency Funds</b>	<b>\$ 20,750</b>	<b>93,122</b>	<b>95,893</b>	<b>17,979</b>

**CITY OF ATWOOD, KANSAS**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2012

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

**FINANCIAL STATEMENTS**

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness identified?   X   Yes        No
- Significant deficiency identified?   X   Yes        None reported
- Noncompliance material to financial statements noted?        Yes   X   No

**FEDERAL AWARDS**

Internal control over major programs:

- Material weakness identified?        Yes   X   No
- Significant deficiency identified?        Yes   X   None reported

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.781	Water and Waste Disposal Systems for Rural Communities - ARRA

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

Auditee qualified as low-risk auditee?        Yes   X   No

**CITY OF ATWOOD, KANSAS**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2012

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Material Weakness in Internal Control**

**2012-1**

Criteria or specific requirement

Internal controls should be in place to ensure that employees do not have incompatible duties.

Condition

Proper segregation of duties does not exist in the accounting system.

Effect

Management may not become aware of the problems or irregularities within a timely manner.

Cause

The City is unable to hire additional personnel due to its size.

Recommendation

Procedures should be established and implemented where the City implements segregation of duties in the receipts and expenditures cycles and implements additional internal control.

Views of responsible officials and planned corrective actions

The City is aware that employees have incompatible duties; however, due to the size of the City, it would not be feasible to hire additional personnel.

**Significant Deficiency in Internal Control**

**2012-2**

Criteria or specific requirement

Internal controls should be in place so all encumbrances are recorded as of the end of the year.

Condition

Encumbrances, specifically those approved in the minutes, are not noted as needing encumbered on the year end list of encumbrances.

Effect

Management may not be aware that there are material encumbrances that are not being recorded. This may cause the city to go over budget in various funds.

Cause

Encumbrances and payables are not recorded in the accounting software system.

Recommendation

The City should thoroughly review the minutes of the council meetings for any items approved and not yet paid as of the end of the year as well as checking all vendor bills for services that may have been incurred to verify proper cut-off at year end.

**CITY OF ATWOOD, KANSAS**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2012

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Views of responsible officials and planned corrective actions

The City is aware that encumbrances need to be more thoroughly checked, and the council meeting minutes must be reviewed to ensure that all encumbrances are noted and recorded.

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

No material findings or questioned costs are required to be disclosed under OMB Circular A-133.

**CITY OF ATWOOD, KANSAS**  
Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2012

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No material findings or questioned costs for the year ended December 31, 2011 are required to be disclosed under OMB Circular A-133.

**CITY OF ATWOOD, KANSAS**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- through Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781	KS-91-06-01 KS-00-07-01	\$ 1,018,019
<b>U.S. Department of Justice Bureau of Justice Assistance</b>			
Bulletproof Vest Partnership Program	16.607	11056617FY2012BVP	<u>650</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u>1,018,669</u></b>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF ATWOOD, KANSAS**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **City of Atwood, Kansas**, and is presented on the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.