

CITY OF CHETOPA, KANSAS

FINANCIAL STATEMENT
and
SUPPLEMENTAL INFORMATION
with
INDEPENDENT AUDITORS' REPORTS

December 31, 2012

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stafford & westervelt

Stafford & Westervelt, Chartered
Certified Public Accountants

Offices in
Chanute, Parsons and Pittsburg, Kansas
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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Chetopa, Kansas

Report on the Financial Statement

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of the City of Chetopa, 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 Statement

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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditors' 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 auditors consider 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 U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Chetopa, 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 U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Chetopa, Kansas as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Chetopa, 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 described in Note 1.

Report on Regulatory Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget, and the individual fund schedules of regulatory basis receipts and expenditures – actual and budget, (Schedules 1 and 2 regulatory basis as listed in the table of contents) are presented for 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 accompanying schedules of expenditures of federal awards, Findings and Questioned Costs and Prior Audit Findings are 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 are also not a required part of the basic financial statement. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the 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 basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2013, on our consideration of the City of Chetopa, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chetopa, Kansas' internal control over financial reporting and compliance and should be considered in assessing the results of our audit.

Parsons, Kansas
August 26, 2013

Stafford Westervelt, Chartered

CITY OF CHETOPA, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Regulatory Basis

For The Year Ended December 31, 2012

	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
GOVERNMENTAL TYPE FUNDS:							
GENERAL FUND	\$ 58,379	\$ -0-	\$ 675,070	\$ 658,309	\$ 75,140	\$ 25,985	\$ 101,125
SPECIAL PURPOSE FUNDS:							
Library	391	-0-	11,357	11,748	-0-	-0-	-0-
Park Fund	44,431	-0-	29,810	18,460	55,781	-0-	55,781
Special City and County Highway	118,429	-0-	38,099	35,577	120,951	-0-	120,951
Industrial Development	1,498	-0-	22,350	18,932	4,916	-0-	4,916
Fire Fighting Equipment	32,988	-0-	9,022	6,023	35,987	-0-	35,987
Employee Benefits	2,023	-0-	157,574	154,613	4,984	1,322	6,306
Special Law Enforcement	185	-0-	-0-	-0-	185	-0-	185
Special Liabilities	53,254	-0-	51,665	60,414	44,505	-0-	44,505
	<u>253,199</u>	<u>-0-</u>	<u>319,877</u>	<u>305,767</u>	<u>267,309</u>	<u>1,322</u>	<u>268,631</u>
BUSINESS FUNDS:							
Electric	425,072	-0-	1,352,233	1,430,821	346,484	93,305	439,789
Garbage and Refuse	99,666	-0-	115,599	116,033	99,232	5,575	104,807
Water	162,972	-0-	362,132	392,582	132,522	7,621	140,143
Sewer	261,313	-0-	238,043	141,147	358,209	2,745	360,954
	<u>949,023</u>	<u>-0-</u>	<u>2,068,007</u>	<u>2,080,583</u>	<u>936,447</u>	<u>109,246</u>	<u>1,045,693</u>
CAPITAL PROJECT FUND:							
Capital Project Fund	618,097	-0-	3,000,352	3,373,570	244,879	-0-	244,879
	<u>1,878,698</u>	<u>-0-</u>	<u>6,063,306</u>	<u>6,418,229</u>	<u>1,523,775</u>	<u>136,553</u>	<u>1,660,328</u>
TOTAL FUNDS							
	<u>15,803</u>	<u>-0-</u>	<u>16,453</u>	<u>10,710</u>	<u>21,546</u>	<u>1,230</u>	<u>22,776</u>
	<u>3,385</u>	<u>-0-</u>	<u>3,359</u>	<u>3,953</u>	<u>2,791</u>	<u>-0-</u>	<u>2,791</u>
TOTAL REPORTING ENTITY :	<u>\$ 1,897,886</u>	<u>\$ -0-</u>	<u>\$ 6,083,118</u>	<u>\$ 6,432,892</u>	<u>\$ 1,548,112</u>	<u>\$ 137,783</u>	<u>\$ 1,685,895</u>

RELATED MUNICIPAL ENTITIES: (Note 1)

Chetopa City Library
Chetopa Historical Society

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND
UNENCUMBERED CASH (continued)

Regulatory Basis

For The Year Ended December 31, 2012

COMPOSITION OF CASH:
as of December 31, 2012

Cash in bank:		
Chetopa State Bank, Chetopa, Kansas		
Main checking	\$ 1,127,217	
Deposits in transit	9,839	
Less outstanding checks	<u>(1,952)</u>	\$ 1,135,104
Capital projects checking		244,879
Petty cash checking	1,890	
Less outstanding checks	<u>(2,744)</u>	(854)
Certificates of deposit		281,000
Cash on hand		<u>200</u>
Total Municipal		<u>1,660,329</u>
 <i>Chetopa City Library</i>		
Chetopa State Bank, Chetopa, Kansas		
Main checking	7,530	
Library State Aid checking	246	
SEK Library checking	7	
Less outstanding check	(7)	
US Bank, Pittsburg, Kansas		
Certificate of deposit	<u>15,000</u>	22,776
 <i>Chetopa Historical Society</i>		
Chetopa State Bank, Chetopa, Kansas		
Main checking	33	
Savings	2,704	
Petty Cash	<u>53</u>	<u>2,790</u>
Total related municipal entities		<u>25,566</u>
TOTAL REPORTING ENTITY		<u>\$ 1,685,895</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA
NOTES TO FINANCIAL STATEMENT

December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MUNICIPAL FINANCIAL REPORTING ENTITY

The City of Chetopa, Kansas (the City) is a municipal corporation governed by an elected seven-member council. The regulatory financial statement presents the City of Chetopa and its related municipal entities. The related municipal entities are included in the City's reporting entity because they were established to benefit the City and its constituents.

Related Municipal Entities

The related municipal entity section of this financial statement includes the financial data of the related municipal entities. The related municipal entities are reported separately to emphasize that they are legally separate from the City. The governing bodies of the related municipal entities are appointed by the City.

Library

The City of Chetopa Library Board operates the City's public library. The library board is appointed by the City. Acquisition and disposition of real property by the board must be approved by the City. Bond issuance must also be approved by the City.

Historical Society

The City of Chetopa Historical Society Board operates the museum. The historical society board is appointed by the City. Acquisition and disposition of real property by the board must be approved by the City. Bond issuance must also be approved by the City.

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 specified purposes.

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

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

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA
NOTES TO FINANCIAL STATEMENT
December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. 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 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 municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

Reimbursed Expenses

The City records reimbursable expenditures (or expense) in the fund that makes the disbursement and records the reimbursements as revenue in the fund that receives the reimbursements.

Vacation, Sick Leave and Other Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not accumulate, are lost if not used without council approval, and are recorded as expenditures when they are paid.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of expenditures and encumbrances and disclosure of contingent liabilities at the date of the financial statement and the reported amounts of expenditures during the reporting period. Actual results could differ from these estimates.

CITY OF CHETOPA

NOTES TO FINANCIAL STATEMENT

December 31, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of 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 ten days after publication the hearing may be held and the governing body may amend the budget at that time. The budgets for the following funds were amended during the year:

	<u>Original Budget</u>	<u>Amended Budget</u>
General	\$ 502,305	\$ 530,000
Electric	\$ 1,364,000	\$ 1,475,000
Garbage & Refuse	\$ 111,422	\$ 122,422
Special City & Hwy	\$ 29,800	\$ 40,000

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 expenditures authority lapses at year-end.

A legal operating budget is not required for capital project funds, and related municipal entities. Spending in funds which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City.

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA
NOTES TO FINANCIAL STATEMENT

December 31, 2012

NOTE 2. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City and its related municipal entities. 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 and its related municipal entities investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements, and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

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

Custodial credit risk deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance (FDIC) 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%. There were no designated "peak periods" during the year. All deposits were legally secured at December 31, 2012.

At December 31, 2012 the City's carrying amount of the deposits (and its related municipal entities), including certificates of deposit, was \$1,685,642. The bank balance was \$1,680,506. The difference between the carrying amount and the bank balance is outstanding deposits and checks. The bank balance was held by two banks, resulting in a concentration of credit risk. Of the bank balance \$274,706 was covered by FDIC insurance and \$1,405,800 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the City, the pledging bank and the independent third-party bank holding the pledged securities.

CITY OF CHETOPA

NOTES TO FINANCIAL STATEMENT

December 31, 2012

NOTE 3. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Chetopa, Kansas, participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy

K.S.A. 74-419 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 4. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

NOTE 5. INTERFUND TRANSFERS

The operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory Authority</u>
Electric	General	\$ 148,000	12-825d
Electric	Employee Benefits	\$ 65,000	12-825d
Electric	Industrial Promotion	\$ 14,000	12-825d
General	Park	\$ 27,061	12-825d
General	Special City & County Highway	\$ 9,020	12-825d

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA

NOTES TO FINANCIAL STATEMENT

December 31, 2012

NOTE 6. COMPLIANCE WITH KANSAS STATUTES

The General fund expenditures exceeded budget by \$128,309, a violation of K.S.A. 79-2935, due to a Home Investment Partnership Program grant received and expended in the amount of \$173,290. The Sewer fund expenditures exceeded budget by \$6,646, a violation of K.S.A. 79-2935. No other violations were noted in 2012.

NOTE 7. OTHER POST EMPLOYMENT BENEFITS

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

CITY OF CHETOPA, KANSAS
NOTES TO FINANCIAL STATEMENT
 December 31, 2012

NOTE 8. LONG-TERM DEBT

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

ISSUE	Interest Rate	Date of Issue	Original Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Capital Leases										
Trash Truck	5.00%	03/07/07	\$ 60,000	06/06/12	\$ 3,393	\$ -0-	\$ 3,393	\$ (3,393)	\$ -0-	\$ 15
Ford F-150 Truck	5.40%	03/28/08	24,221	03/10/13	6,617	-0-	5,260	(5,260)	1,357	212
Backhoe	5.00%	05/28/08	57,710	06/06/13	18,871	-0-	12,643	(12,643)	6,228	443
2003 Freightliner FL80 (Fire)	5.00%	04/08/10	80,000	04/08/20	69,281	-0-	6,867	(6,867)	62,414	3,317
2011 Ford f150 PU (Police)	5.00%	04/05/11	30,726	04/16/16	27,064	-0-	5,734	(5,734)	21,330	1,226
Pool Liner	5.00%	06/07/11	33,871	06/10/16	30,866	-0-	6,270	(6,270)	24,596	1,405
2004 IHC Bucket Truck	4.75%	02/21/12	35,616	02/07/15	-0-	35,616	9,439	26,177	26,177	1,175
2012 Dodge Charger	4.75%	04/03/12	28,087	04/07/17	-0-	28,087	3,357	24,730	24,730	860
Police Cameras	3.50%	10/16/12	17,695	10/08/17	-0-	17,695	554	17,141	17,141	89
Kansas Department of Health & Environment										
Revolving Loan Fund Project C20 1340-01	3.47%	11/12/96	343,841	03/01/18	117,916	-0-	18,002	(18,002)	99,914	3,937
Water Supply Loan Project 2188	3.59%	05/05/06	1,624,416	02/01/25	1,159,014	-0-	68,082	(68,082)	1,090,932	41,003
General Obligation Bonds										
General Obligation Bonds	2.75%	07/24/12	3,000,000	07/24/52	-0-	3,000,000	-0-	3,000,000	3,000,000	-0-
Revenue Bonds										
Revenue Bonds	4.75%	12/21/98	143,500	12/01/39	122,700	-0-	2,300	(2,300)	120,400	5,828
TOTAL BONDED INDEBTEDNESS					<u>\$ 1,555,722</u>	<u>\$ 3,081,398</u>	<u>\$ 141,901</u>	<u>\$ 2,939,497</u>	<u>\$ 4,495,219</u>	<u>\$ 59,510</u>

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

NOTES TO FINANCIAL STATEMENT
December 31, 2012

NOTE 8. LONG-TERM DEBT (continued)

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	2023-2052
PRINCIPAL							
Capital Leases							
Ford Truck	\$ 1,357	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,357
Backhoe	6,228	-0-	-0-	-0-	-0-	-0-	6,228
2003 Freightliner FL80 (Fire)	7,228	7,598	7,987	8,390	8,825	22,386	62,414
2011 Ford F150	6,031	6,339	6,664	2,296	-0-	-0-	21,330
Pool Liner	6,595	6,932	7,287	3,782	-0-	-0-	24,596
2004 IHC Bucket Truck	11,748	12,318	2,111	-0-	-0-	-0-	26,177
2012 Charger	5,265	5,520	5,788	6,069	2,088	-0-	24,730
Police Cameras	3,313	3,431	3,553	3,679	3,165	-0-	17,141
Kansas Department of Health & Environment							
Revolving Loan Fund Project C20 1340-01	18,632	19,284	19,959	20,658	21,381	-0-	99,914
Water Supply Loan Project 2188	70,548	73,103	75,751	78,495	81,338	453,078	1,090,932
General Obligation Bond	42,095	43,252	44,442	45,447	46,914	254,430	3,000,000
Revenue Bonds	2,400	2,500	2,700	2,800	2,900	16,900	120,400
TOTAL PRINCIPAL	181,440	180,277	176,242	171,616	166,611	746,794	4,495,219
INTEREST							
Capital Leases							
Ford Truck	11	-0-	-0-	-0-	-0-	-0-	11
Backhoe	94	-0-	-0-	-0-	-0-	-0-	94
2003 Freightliner FL80 (Fire)	2,956	2,586	2,198	1,794	1,360	1,377	12,271
2011 Ford F150	929	621	296	24	-0-	-0-	1,870
Pool Liner	1,080	742	388	55	-0-	-0-	2,265
2004 IHC Truck	989	419	13	-0-	-0-	-0-	1,421
2012 Charger	1,061	805	537	257	21	-0-	2,681
Police Cameras	547	429	307	181	51	-0-	1,515
Kansas Department of Health & Environment							
Revolving Loan Fund Project C20 1340-01	3,307	2,655	1,980	1,281	557	-0-	9,780
Water Supply Loan Project 2188	38,537	35,982	33,334	30,590	27,746	92,345	272,626
General Obligation Bond	82,500	81,342	80,153	78,931	77,681	368,340	1,985,022
Revenue Bonds	5,719	5,605	5,486	5,358	5,225	23,902	40,565
TOTAL INTEREST	137,730	131,186	124,692	118,471	112,641	485,964	2,381,416
TOTAL PRINCIPAL AND INTEREST	\$ 319,170	\$ 311,463	\$ 300,934	\$ 290,087	\$ 279,252	\$ 1,232,758	\$ 6,876,635

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA
NOTES TO FINANCIAL STATEMENT
December 31, 2012

NOTE 9. SUBSEQUENT EVENT

The City did not have any subsequent events through August 26, 2013, which is the date the financial statement was available to be issued for events requiring recognition or disclosure in the financial statement for the year ended December 31, 2012.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF CHETOPA KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis
 (BUDGETED FUNDS ONLY)
 For The Year Ended December 31, 2012

	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
GOVERNMENTAL TYPE FUNDS:					
GENERAL FUND *	\$ 530,000	-0-	\$ 530,000	\$ 658,309	\$ 128,309
SPECIAL REVENUE FUNDS:					
Library	11,800	-0-	11,800	11,748	(52)
Park Fund	24,200	-0-	24,200	18,460	(5,740)
Special City and County Highway	40,000	-0-	40,000	35,577	(4,423)
Industrial Development	23,500	-0-	23,500	18,932	(4,568)
Fire Fighting Equipment	21,200	-0-	21,200	6,023	(15,177)
Employee Benefits	175,000	-0-	175,000	154,613	(20,387)
Special Liabilities	107,000	-0-	107,000	60,414	(46,586)
	<u>402,700</u>	<u>-0-</u>	<u>402,700</u>	<u>305,767</u>	<u>(96,933)</u>
BUSINESS FUNDS:					
Electric	1,475,000	-0-	1,475,000	1,430,821	(44,179)
Garbage and Refuse	122,422	-0-	122,422	116,033	(6,389)
Water	441,087	-0-	441,087	392,582	(48,505)
Sewer *	134,501	-0-	134,501	141,147	6,646
	<u>2,173,010</u>	<u>-0-</u>	<u>2,173,010</u>	<u>2,080,583</u>	<u>(92,427)</u>
TOTAL	<u>\$ 3,105,710</u>	<u>\$ -0-</u>	<u>\$ 3,105,710</u>	<u>\$ 3,044,659</u>	<u>\$ (61,051)</u>

* See Note 6.

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
 SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem Taxes	\$ 67,038	\$ 69,929	\$ (2,891)
Delinquent Tax	12,616	5,100	7,516
Motor Vehicle Tax	10,745	12,479	(1,734)
Sales Tax	195,644	210,000	(14,356)
Federal Funds (Note 6)	173,290	-0-	173,290
Franchise Fees	15,125	15,000	125
Fines and Fees	46,377	27,000	19,377
Other Fees and Licenses	775	-0-	775
Pool Income	3,587	4,500	(913)
Interest Income	414	1,000	(586)
Miscellaneous	1,459	1,000	459
Transfer In (Note 5)	148,000	148,000	-0-
TOTAL CASH RECEIPTS	<u>675,070</u>	<u>\$ 494,008</u>	<u>\$ 181,062</u>
EXPENDITURES			
General Government	59,224	\$ 77,550	\$ (18,326)
Police	214,470	220,000	(5,530)
Fire Department	33,310	33,000	310
Streets and Lighting	59,052	78,650	(19,598)
Parks	31,290	41,500	(10,210)
Swimming Pool	29,530	29,600	(70)
1st Responder	6,912	10,200	(3,288)
Museum	1,137	1,500	(363)
Court	14,013	-0-	14,013
Home Investment Partnership Program (Note 6)	173,290	-0-	173,290
Transfer to Park (Note 5)	27,061	30,000	(2,939)
Transfer to Special City & County Highway (Note 5)	9,020	8,000	1,020
TOTAL EXPENDITURES *	<u>658,309</u>	<u>\$ 530,000</u>	<u>\$ 128,309</u>
Receipts Over Expenditures	16,761		
Unencumbered Cash, Beginning	<u>58,379</u>		
Unencumbered Cash, Ending	<u>\$ 75,140</u>		

* See Note 6

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

LIBRARY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem Taxes	\$ 8,744	\$ 9,462	\$ (718)
Delinquent Tax	1,120	500	620
Motor Vehicle Tax	<u>1,493</u>	<u>1,838</u>	<u>(345)</u>
 TOTAL CASH RECEIPTS	 <u>11,357</u>	 <u>\$ 11,800</u>	 <u>\$ (443)</u>
 EXPENDITURES			
Appropriations	<u>11,748</u>	<u>\$ 11,800</u>	<u>\$ (52)</u>
 TOTAL EXPENDITURES	 <u>11,748</u>	 <u>\$ 11,800</u>	 <u>\$ (52)</u>
 Receipts (Under) Expenditures	 (391)		
 Unencumbered Cash, Beginning	 <u>391</u>		
 Unencumbered Cash, Ending	 <u>\$ -0-</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

PARK FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Other	\$ 2,749	\$ -0-	\$ 2,749
Transfer In (Note 5)	<u>27,061</u>	<u>30,000</u>	<u>(2,939)</u>
TOTAL CASH RECEIPTS	<u>29,810</u>	<u>\$ 30,000</u>	<u>\$ (190)</u>
EXPENDITURES			
Commodities	10,418	\$ 16,200	\$ (5,782)
Contractual	367	8,000	(7,633)
Capital Outlay	<u>7,675</u>	<u>-0-</u>	<u>7,675</u>
TOTAL EXPENDITURES	<u>18,460</u>	<u>\$ 24,200</u>	<u>\$ (5,740)</u>
Receipts Over Expenditures	11,350		
Unencumbered Cash, Beginning	<u>44,431</u>		
Unencumbered Cash, Ending	<u>\$ 55,781</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

SPECIAL CITY AND COUNTY HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
State of Kansas	\$ 29,079	\$ 29,079	\$ -0-
Transfer In (Note 5)	<u>9,020</u>	<u>8,221</u>	<u>799</u>
TOTAL CASH RECEIPTS	<u>38,099</u>	<u>\$ 37,300</u>	<u>\$ 799</u>
EXPENDITURES			
Contractual	-0-	\$ 5,000	\$ (5,000)
Commodities	<u>35,577</u>	<u>35,000</u>	<u>577</u>
TOTAL EXPENDITURES	<u>35,577</u>	<u>\$ 40,000</u>	<u>\$ (4,423)</u>
Receipts Over Expenditures	2,522		
Unencumbered Cash, Beginning	<u>118,429</u>		
Unencumbered Cash, Ending	<u>\$ 120,951</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

INDUSTRIAL DEVELOPMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem Taxes	\$ 4,030	\$ 3,402	\$ 628
Delinquent Tax	624	-0-	624
Motor Vehicle Tax	926	1,141	(215)
Donations	2,770	2,000	770
Transfer In (Note 5)	<u>14,000</u>	<u>14,000</u>	<u>-0-</u>
TOTAL CASH RECEIPTS	<u>22,350</u>	<u>\$ 20,543</u>	<u>\$ 1,807</u>
EXPENDITURES			
Industrial Promotion and Development	<u>18,932</u>	<u>\$ 23,500</u>	<u>\$ (4,568)</u>
TOTAL EXPENDITURES	<u>18,932</u>	<u>\$ 23,500</u>	<u>\$ (4,568)</u>
Receipts Over Expenditures	3,418		
Unencumbered Cash, Beginning	<u>1,498</u>		
Unencumbered Cash, Ending	<u>\$ 4,916</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

FIRE FIGHTING EQUIPMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem Taxes	\$ 478	\$ 517	\$ (39)
Delinquent Tax	33	-0-	33
Motor Vehicle Tax	89	110	(21)
Fire Contracts and Miscellaneous	<u>8,422</u>	<u>11,000</u>	<u>(2,578)</u>
 TOTAL CASH RECEIPTS	 <u>9,022</u>	 <u>\$ 11,627</u>	 <u>\$ (2,605)</u>
 EXPENDITURES			
Contractual	<u>6,023</u>	<u>\$ 21,200</u>	<u>\$ (15,177)</u>
 TOTAL EXPENDITURES	 <u>6,023</u>	 <u>\$ 21,200</u>	 <u>\$ (15,177)</u>
 Receipts Over Expenditures	 2,999		
 Unencumbered Cash, Beginning	 <u>32,988</u>		
 Unencumbered Cash, Ending	 <u>\$ 35,987</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

EMPLOYEE BENEFITS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem Taxes	\$ 54,615	\$ 53,287	\$ 1,328
Delinquent Tax	7,732	5,000	2,732
Motor Vehicle Tax	10,777	13,286	(2,509)
Miscellaneous	19,450	24,000	(4,550)
Transfer In (Note 5)	<u>65,000</u>	<u>65,000</u>	<u>-0-</u>
TOTAL CASH RECEIPTS	<u>157,574</u>	<u>\$ 160,573</u>	<u>\$ (2,999)</u>
EXPENDITURES			
Contractual	<u>154,613</u>	<u>\$ 175,000</u>	<u>\$ (20,387)</u>
TOTAL EXPENDITURES	<u>154,613</u>	<u>\$ 175,000</u>	<u>\$ (20,387)</u>
Receipts Over Expenditures	2,961		
Unencumbered Cash, Beginning	<u>2,023</u>		
Unencumbered Cash, Ending	<u>\$ 4,984</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

SPECIAL LAW ENFORCEMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
CASH RECEIPTS	\$ -0-	\$ -0-	\$ -0-
TOTAL CASH RECEIPTS	<u>-0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
EXPENDITURES	<u>-0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL EXPENDITURES	<u>-0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Receipts Over Expenditures	-0-		
Unencumbered Cash, Beginning	<u>185</u>		
Unencumbered Cash, Ending	<u>\$ 185</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

SPECIAL LIABILITIES FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over <u>(Under)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem Taxes	\$ 38,770	\$ 41,942	\$ (3,172)
Delinquent Tax	5,176	-0-	5,176
Motor Vehicle Tax	7,719	7,877	(158)
Transfer In (Note 5)	<u>-0-</u>	<u>50,000</u>	<u>(50,000)</u>
TOTAL CASH RECEIPTS	<u>51,665</u>	<u>\$ 99,819</u>	<u>\$ (48,154)</u>
EXPENDITURES			
Contractual	<u>60,414</u>	<u>\$ 107,000</u>	<u>\$ (46,586)</u>
TOTAL EXPENDITURES	<u>60,414</u>	<u>\$ 107,000</u>	<u>\$ (46,586)</u>
Receipts (Under) Expenditures	(8,749)		
Unencumbered Cash, Beginning	<u>53,254</u>		
Unencumbered Cash, Ending	<u>\$ 44,505</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

ELECTRIC FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over <u>(Under)</u>
CASH RECEIPTS			
Sales and Fees	\$ 1,340,344	\$ 1,400,000	\$ (59,656)
Interest Income	989	-0-	989
Deposits Received	<u>10,900</u>	<u>12,000</u>	<u>(1,100)</u>
TOTAL CASH RECEIPTS	<u>1,352,233</u>	<u>\$ 1,412,000</u>	<u>\$ (59,767)</u>
EXPENDITURES			
Personal Services	130,806	\$ 130,000	\$ 806
Contractual	83,977	25,000	58,977
Commodities	966,924	1,039,000	(72,076)
Deposit Refunds	11,500	4,000	7,500
Debt Service	10,614	-0-	10,614
Transfers Out (Note 5)	<u>227,000</u>	<u>277,000</u>	<u>(50,000)</u>
TOTAL EXPENDITURES	<u>1,430,821</u>	<u>\$ 1,475,000</u>	<u>\$ (44,179)</u>
Receipts (Under) Expenditures	(78,588)		
Unencumbered Cash, Beginning	<u>425,072</u>		
Unencumbered Cash, Ending	<u>\$ 346,484</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

GARBAGE AND REFUSE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For The Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over <u>(Under)</u>
CASH RECEIPTS			
Fees	\$ 115,248	\$ 136,000	\$ (20,752)
Interest Income	<u>351</u>	<u>700</u>	<u>(349)</u>
TOTAL CASH RECEIPTS	<u>115,599</u>	<u>\$ 136,700</u>	<u>\$ (21,101)</u>
EXPENDITURES			
Personal Services	51,897	\$ 59,000	\$ (7,103)
Contractual	40,344	47,000	(6,656)
Commodities	20,384	13,000	7,384
Debt Service	<u>3,408</u>	<u>3,422</u>	<u>(14)</u>
TOTAL EXPENDITURES	<u>116,033</u>	<u>\$ 122,422</u>	<u>\$ (6,389)</u>
Receipts (Under) Expenditures	(434)		
Unencumbered Cash, Beginning	<u>99,666</u>		
Unencumbered Cash, Ending	<u>\$ 99,232</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

WATER FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Sales and Fees	\$ 358,449	\$ 395,000	\$ (36,551)
Interest Income	683	1,200	(517)
Deposits Received	<u>3,000</u>	<u>4,000</u>	<u>(1,000)</u>
TOTAL CASH RECEIPTS	<u>362,132</u>	<u>\$ 400,200</u>	<u>\$ (38,068)</u>
EXPENDITURES			
Production			
Personal Services	115,753	\$ 102,000	\$ 13,753
Commodities	67,259	94,700	(27,441)
Contractual	29,134	112,000	(82,866)
Distribution			
Commodities	25,787	-0-	25,787
Contractual	1,957	-0-	1,957
Administration			
Contractual	18,826	-0-	18,826
Debt Service	125,937	125,937	-0-
Deposit Refunds	3,375	6,450	(3,075)
Sales Tax	2,282	-0-	2,282
Water Protection Fees	<u>2,272</u>	<u>-0-</u>	<u>2,272</u>
TOTAL EXPENDITURES	<u>392,582</u>	<u>\$ 441,087</u>	<u>\$ (48,505)</u>
Receipts (Under) Expenditures	(30,450)		
Unencumbered Cash, Beginning	<u>162,972</u>		
Unencumbered Cash, Ending	<u>\$ 132,522</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

SEWER FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For The Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
CASH RECEIPTS			
Customer Charges	\$ 174,517	\$ 204,000	\$ (29,483)
Federal Funds	63,409	-0-	63,409
Interest Income	117	230	(113)
	<u>238,043</u>	<u>\$ 204,230</u>	<u>\$ 33,813</u>
TOTAL CASH RECEIPTS			
EXPENDITURES			
Personal Services	35,058	\$ 30,800	\$ 4,258
Commodities	8,417	4,400	4,017
Contractual	71,371	73,000	(1,629)
Debt Service	26,301	26,301	-0-
	<u>141,147</u>	<u>\$ 134,501</u>	<u>\$ 6,646</u>
TOTAL EXPENDITURES *			
Receipts Over Expenditures	96,896		
Unencumbered Cash, Beginning	<u>261,313</u>		
Unencumbered Cash, Ending	<u>\$ 358,209</u>		

* See Note 6

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

CAPITAL PROJECT FUND - (NONBUDGETED)
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For The Year Ended December 31, 2012

	<u>Actual</u>
CASH RECEIPTS	
Loan Advance	\$ 3,000,000
Interest Income	<u>352</u>
TOTAL CASH RECEIPTS	<u>3,000,352</u>
EXPENDITURES	
Contractual	817,944
Debt Service	<u>2,555,626</u>
TOTAL EXPENDITURES	<u>3,373,570</u>
Receipts (Under) Expenditures	(373,218)
Unencumbered Cash, Beginning	<u>618,097</u>
Unencumbered Cash, Ending	<u>\$ 244,879</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

RELATED MUNICIPAL ENTITIES (NONBUDGETED)
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For The Year Ended December 31, 2012

	Chetopa <u>City Library</u>	Chetopa <u>Historical Society</u>
CASH RECEIPTS		
City of Chetopa	\$ 11,748	\$ -0-
Labette County	-0-	3,000
SEK Library	3,401	-0-
State of Kansas	479	-0-
Donations	487	352
Interest Income	<u>338</u>	<u>7</u>
 TOTAL CASH RECEIPTS	 <u>16,453</u>	 <u>3,359</u>
 EXPENDITURES		
Personal Services	7,486	-0-
Contractual	762	3,953
Commodities	<u>2,462</u>	<u>-0-</u>
 TOTAL EXPENDITURES	 <u>10,710</u>	 <u>3,953</u>
 Receipts Over (Under) Expenditures	 5,743	 (594)
 Unencumbered Cash, Beginning	 <u>15,803</u>	 <u>3,385</u>
 Unencumbered Cash, Ending	 <u>\$ 21,546</u>	 <u>\$ 2,791</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS SCHEDULE.
SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

SINGLE AUDIT SECTION



stafford & westervelt

Stafford & Westervelt, Chartered
Certified Public Accountants

Offices in
Chanute, Parsons and Pittsburg, Kansas
Bentonville and Rogers, Arkansas

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

To the City Council
City of Chetopa, Kansas

We have audited, in accordance with the 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 the Kansas Municipal Audit and Accounting Guide, the financial statement of the City of Chetopa, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statement, which collectively comprise the City of Chetopa, Kansas' basic financial statement, and have issued our report thereon dated August 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City of Chetopa, 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 the City of Chetopa, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Chetopa, Kansas' 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 City's financial statement 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.

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.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF A
FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Chetopa, 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*.

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 City'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.

Parsons, Kansas

Stafford & Westervelt, Chartered

August 26, 2013



stafford & westervelt

Stafford & Westervelt, Chartered
Certified Public Accountants

Offices in
Chanute, Parsons and Pittsburg, Kansas
Bentonville and Rogers, Arkansas

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

To the City Council
City of Chetopa, Kansas

Report on Compliance for Each Major Federal Program

We have audited the City of Chetopa, Kansas' (the City) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Chetopa, Kansas' major federal program for the year ended December 31, 2012. The City of Chetopa, Kansas' major federal program is 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 program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City of Chetopa, Kansas' 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; Kansas Municipal Audit and Accounting Guide 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 of Chetopa, 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 its major federal program. However, our audit does not provide a legal determination of the City of Chetopa, Kansas' compliance.

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

Opinion on Major Federal Program

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

Parsons, Kansas

Stafford & Westervelt, Chartered

August 26, 2013

CITY OF CHETOPA, KANSAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE OR CLUSTER TITLE</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Water & Waste Disposal for Rural Communities-ARRA **	10.781	\$ 817,944
U.S. Department of Commerce Passed through Kansas Department of Commerce Community Development Block Grant	14.228	63,409
Environmental Protection Agency Passed through Kansas Department of Health and Environment Capitalization Grants for Clean Water	66.458	4,662
Department of Housing & Urban Development Passed through Kansas Resource Corporation Home Investment Partnerships Program	14.239	<u>173,290</u>
Total		<u>\$ 1,059,305</u>

** Major Program

NOTE 1 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of The City of Chetopa, Kansas, under programs of the federal government for the year ended December 31, 2012. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133: Audits of States, Local Governments, and Nonprofit Organizations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported using the accounting practices by the State of Kansas to demonstrate compliance with the KMAAG regulatory basis of accounting, the same basis as the financial statement accompanying this schedule except that encumbrances (commitments related to unperformed contracts for goods and services evidenced by a contract) are not included.

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statement noted? No

Federal Awards:

Internal control over major program:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

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

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

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount</u>
10.781	Water & Waste disposal for Rural Communities	\$ <u>817,944</u>

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

Auditee qualified as a low-risk auditee? No

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.

CITY OF CHETOPA, KANSAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

For the Year Ended December 31, 2011:

No Findings in the Prior Year Audit

SEE ACCOMPANYING INDEPENDENT AUDITORS' REPORTS.