

CITY OF EUREKA, KANSAS

Statutory Basis Financial Statement
and Independent Auditors' Report
with Supplemental Information

For the Year Ended December 31, 2012

CITY OF EUREKA, KANSAS

December 31, 2012

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Eureka, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Eureka, Kansas, a municipality, 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, 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 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 U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Eureka, 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 Eureka, 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 Eureka, 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 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, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2 and 3 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. 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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

July 2, 2013
Chanute, Kansas

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

Funds	Beginning Unencumbered		Receipts	Expenditures	Ending Unencumbered		Add Encumbrances and Accounts Payable	Cash Balances December 31, 2012
	Cash Balance				Cash Balance			
General	\$ 185,384.79	\$	1,456,207.46	\$ 1,440,604.58	\$	200,987.67	\$ 14,359.57	\$ 215,347.24
Special Purpose Funds:								
Library	(87.91)		77,128.06	77,009.87		30.28	-	30.28
Employee Health Benefits	25,974.01		-	24,000.00		1,974.01	-	1,974.01
Special Parks and Recreation	117.46		6,901.16	6,484.91		533.71	-	533.71
Special Highway	20,352.40		67,989.44	81,138.85		7,202.99	772.22	7,975.21
Promotion	2,294.33		7,968.85	9,027.34		1,235.84	-	1,235.84
Sales Tax Revenue	668,857.83		293,960.76	208,000.00		754,818.59	-	754,818.59
Community Development Block Grant Project	22,307.00		185,233.00	242,218.99		(34,678.99)	-	(34,678.99)
Bond and Interest Funds:								
Bond and Interest	54,969.65		73,681.10	82,837.50		45,813.25	-	45,813.25
Eureka Public Building Commission								
Principal and Interest	5.00		208,000.00	207,532.50		472.50	-	472.50
Capital Projects Funds:								
Revolving Loan Improvement	(9,672.79)		9,671.00	-		(1.79)	-	(1.79)
Business Funds:								
Water Utility	231,753.56		946,563.43	927,401.84		250,915.15	3,381.70	254,296.85
Water Revolving Loan	2,349.31		33,360.00	33,202.16		2,507.15	-	2,507.15
Water Reserve	69,700.00		20,000.00	8,641.95		81,058.05	-	81,058.05
Meter Deposit	6,095.37		14,105.00	13,728.80		6,471.57	76,316.12	82,787.69
Sewer Utility	53,075.54		334,006.78	334,772.15		52,310.17	656.98	52,967.15
Sewer Revolving Loan	398.26		240,540.00	240,540.08		398.18	-	398.18
Sewer Reserve	52,676.99		-	9,977.50		42,699.49	-	42,699.49
Total Reporting Entity (Excluding Agency Funds)	\$ 1,386,550.80	\$	3,975,316.04	\$ 3,947,119.02	\$	1,414,747.82	\$ 95,486.59	\$ 1,510,234.41

Composition of Cash:

Cash on Hand.....	\$ 400.00
City Treasurer Checking Account	881,190.10
Municipal Investment Pool	683,230.98
Total Cash	1,564,821.08
Agency Funds Per Schedule 3	(54,586.67)
Total Reporting Entity (Excluding Agency Funds)	\$ 1,510,234.41

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

CITY OF EUREKA, KANSAS

Notes to Financial Statement
For the Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The City of Eureka, Kansas (the City) is a municipal corporation governed by a mayor and an elected six member council. This financial statement presents the City of Eureka, Kansas.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the City. Related municipal entities are not required to be included in the City's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG). Based upon the application of this criterion, the following is a brief review of potential related municipal entities:

1. Eureka Carnegie Library
The City of Eureka Carnegie Library Board operates the City's public library. Acquisition or disposition of real property or bond issuances must be approved by the City. Separate financial statements are not prepared by the Library.
2. Eureka Public Building Commission
The City of Eureka Public Building Commission was created to oversee the construction of the Eureka swimming pool and library project. Acquisition or disposition of real property or bond issuances must be approved by the City. The City is acting as the fiduciary agent for the Commission. Separate financial statements are not prepared by the Commission.

Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the City of Eureka, Kansas, for the year of 2012:

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis Fund Types (Continued)

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.

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.)

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

Basis of Presentation – Regulatory 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 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 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.

Pension Plan

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

Property Taxes

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

Reimbursed Expenses

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

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 municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

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

- Community Development Block Grant Project Fund

In addition, an operating budget is not required for the Eureka Public Building Commission Principal and Interest Fund, for business principal and interest funds, and business reserve funds.

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1, the City was in apparent violation of K.S.A. 10-1,113. The City has obligated expenditures in excess of available monies in the Community Development Block Grant Project Fund and the Revolving Loan Improvement Fund, however, K.S.A 10-1,116 provides that under certain situations, the fund can end the year with a negative unencumbered cash balance and therefore, exempt from the cash basis laws of the State of Kansas. The Community Development Block Grant Project Fund and the Revolving Loan Improvement Fund met the criteria under the statutes and therefore, is not deemed to be in violation of the Kansas cash basis laws. As shown in Schedule 1, the City was in apparent compliance with Kansas budget laws.

3. DEPOSITS AND INVESTMENTS

As of year end, the City has the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool		
Overnight Pool	\$ 683,230.98	N/A

K.S.A 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City’s funds have a main branch or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the 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.

Concentration of credit risk. State Statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City’s allocation of investments as of December 31, 2012, is as follows:

<u>Investments</u>	<u>Percentage of Investments</u>
Kansas Investment Pool	100%

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require the City’s deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2012.

At year-end, the City’s carrying amount of deposits was \$881,190.10 and the bank balance was \$915,620.05. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$250,000.00 was covered by FDIC insurance and \$665,620.05 was collateralized with securities held by the pledging financial institutions’ agents in the City’s name and an irrevocable letter of credit with the Federal Home Loan Bank of Topeka.

3. DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2012, the City has invested \$683,230.98 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas Legislature. State pooled monies may be invested in direct obligation that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities of up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

4. DEFINED BENEFIT PENSION PLAN

Plan description. The (non-school municipality) participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South 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 establishes 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. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

5. LONG-TERM DEBT COMMITMENTS

Changes in long-term debt commitments 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
General Obligation Bond:									
Paid with Tax Levies									
Series 2009	2.00-3.00%	November 15, 2009	\$ 445,000.00	October 1, 2015	\$ 305,000.00	-	\$ 75,000.00	\$ 230,000.00	\$ 7,837.50
Revolving Loans:									
Paid with Utility Revenues									
Kansas Water Pollution Control									
Series 1993	3.43%	June 22, 1993	3,138,478.01	March 1, 2015	587,413.26	-	189,184.29	398,228.97	18,539.81
Series 2005	2.58%	October 4, 2005	510,204.00	March 1, 2027	390,947.35	9,671.00	22,711.68	377,906.67	10,104.30
Kansas Public Water Supply Loan									
Series 1999	4.16%	July 1, 1999	450,000.00	August 1, 2020	247,142.10	-	23,159.42	223,982.68	10,042.74
Kansas Transportation Loan									
Series 2009	4.18%	May 11, 2009	124,881.43	August 1, 2028	108,697.93	-	4,516.66	104,181.27	4,543.56
Capital Leases:									
Case 621 E Wheel Loader	5.12%	August 28, 2008	98,060.00	October 1, 2013	70,115.25	-	11,050.85	59,064.40	3,100.50
Asphalt Zipper	3.92%	January 25, 2011	119,861.00	November 1, 2015	96,822.76	-	22,823.37	73,999.39	3,806.36
Paid with Sales Tax Pledged from the City									
Eureka Public Building Commission	3.75%-4.75%	6/1/2005	2,600,000.00	12/1/2025	2,170,000.00	-	110,000.00	2,060,000.00	97,532.50
Total Long-Term Debt Commitments					\$ 3,976,138.65	\$ 9,671.00	\$ 458,446.27	\$ 3,527,363.38	\$ 155,507.27

* Loan is in process-payment schedule has not been established or may change when finalized.

5. LONG-TERM DEBT COMMITMENTS (Continued)

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

Issue	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028	Less: Proceeds Not Drawn	Total
Principal										
General Obligation:										
Series 2009	\$ 75,000.00	\$ 75,000.00	\$ 80,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230,000.00
Revolving Loans:										
Kansas Water Pollution Control										
Series 1993	195,728.95	202,500.02	-	-	-	-	-	-	-	398,228.97
Series 2005	22,774.40	23,365.77	23,972.49	24,594.98	25,233.62	136,343.45	126,881.96	-	(5,260.00) *	377,906.67
Kansas Public Water Supply Loan										
Series 1999	24,250.16	25,269.46	26,331.59	27,438.38	28,591.69	92,101.40	-	-	-	223,982.68
Kansas Transportation Loan										
Series 2009	4,705.44	4,902.14	5,107.04	5,320.52	5,542.92	31,389.84	38,522.16	8,691.21	-	104,181.27
Capital Leases:										
Case 621 E Wheel Loader	59,064.40	-	-	-	-	-	-	-	-	59,064.40
Asphalt Zipper	23,728.45	24,658.60	25,612.34	-	-	-	-	-	-	73,999.39
Component Unit Long-Term Debt:										
Eureka Public Building Commission										
Revenue Bond Series 2005	110,000.00	115,000.00	120,000.00	130,000.00	140,000.00	825,000.00	620,000.00	-	-	2,060,000.00
Total Principal Payments	515,251.80	470,695.99	281,023.46	187,353.88	199,368.23	1,084,834.69	785,404.12	8,691.21	(5,260.00)	3,527,363.38
Interest										
General Obligation:										
Series 2009	6,337.50	4,650.00	2,400.00	-	-	-	-	-	-	13,387.50
Revolving Loans:										
Kansas Water Pollution Control										
Series 1993	11,995.16	5,224.08	-	-	-	-	-	-	-	17,219.24
Series 2005	10,041.57	9,450.20	8,843.48	8,221.00	7,582.36	27,736.41	10,018.72	-	-	81,893.74
Kansas Public Water Supply Loan										
Series 1999	9,113.35	8,094.06	7,031.92	5,925.13	4,771.83	5,779.76	-	-	-	40,716.05
Kansas Transportation Loan										
Series 2009	4,354.78	4,158.08	3,953.18	3,739.70	3,517.30	13,911.26	6,778.94	363.28	-	40,776.52
Capital Leases:										
Case 621 E Wheel Loader	3,206.82	-	-	-	-	-	-	-	-	3,206.82
Asphalt Zipper	2,901.28	1,971.13	1,017.39	-	-	-	-	-	-	5,889.80
Eureka Public Building Commission	93,407.50	89,145.00	84,545.00	79,625.00	73,775.00	267,187.50	60,087.50	-	-	747,772.50
Total Interest Payments	141,357.96	122,692.55	107,790.97	97,510.83	89,646.49	314,614.93	76,885.16	363.28	-	950,862.17
Total Principal and Interest	\$ 656,609.76	\$ 593,388.54	\$ 388,814.43	\$ 284,864.71	\$ 289,014.72	\$ 1,399,449.62	\$ 862,289.28	\$ 9,054.49	\$ (5,260.00)	\$ 4,478,225.55

* Loan is in process-payment schedule has not been established or may change when finalized.

6. CAPITAL LEASES

The City has entered into a capital lease agreement dated August 28, 2008, with Kansas State Bank of Manhattan, for the purchase of a Case Wheel Loader. The total cost was \$98,060.00. The lease requires annual payments of \$14,151.35, including interest at 5.123% per annum, over the next five years, with a balloon payment of \$47,700.00 maturing October 1, 2013. Debt requirements are as follows:

	<u>GENERAL OBLIGATION</u>	
2013		\$ <u>62,271.22</u>
Total Net Minimum Lease Payments		62,271.22
Less: Imputed Interest		<u>(3,206.82)</u>
Net Present Value		59,064.40
Less: Current Maturities		<u>(59,064.40)</u>
Long-Term Capital Lease Obligations		<u>\$.00</u>

The City has entered into a capital lease agreement dated January 25, 2011, with Oklahoma State Bank, for the purchase of an Asphalt Zipper. The total cost was \$119,861.00. The lease requires annual payments of \$26,629.73, including interest at 3.92% per annum, over the next five years, maturing November 1, 2015. Debt requirements are as follows:

	<u>GENERAL OBLIGATION</u>	
2013		\$ 26,629.73
2014		26,629.73
2015		<u>26,629.73</u>
Total Net Minimum Lease Payments		79,889.19
Less: Imputed Interest		<u>(5,889.80)</u>
Net Present Value		73,999.39
Less: Current Maturities		<u>(23,728.45)</u>
Long-Term Capital Lease Obligations		<u>\$ 50,270.94</u>

The City has entered into a capital lease agreement dated June 1, 2005, with Eureka Public Building Commission for the purchase of a new Public Library and a Municipal Aquatic Center. The total cost was \$2,600,000.00. The lease requires annual lease payments equal to the payments the Eureka Public Building Commission is required to pay on the bond as listed in Note 5. Debt requirements are as follows:

	<u>GENERAL OBLIGATION</u>	
2013		\$ 203,407.50
2014		204,145.00
2015		204,545.00
2016		209,625.00
2017		213,775.00
2018-2022		1,092,187.50
2023-2026		<u>680,087.50</u>
Total Net Minimum Lease Payments		2,807,772.50
Less: Interest		<u>(747,772.50)</u>
Net Present Value		2,060,000.00
Less: Current Maturities		<u>(110,000.00)</u>
Long-Term Capital Lease Obligations		<u>\$1,950,000.00</u>

7. COMPENSATED ABSENCES

All full-time employees of the City with six months of employment are eligible for vacation benefits in varying annual amounts. Employees may not carry over more than twenty days of vacation time into the new year of service, as determined by their anniversary date. Unused vacation days will be lost unless a written request for vacation time has been denied by the City Administrator.

Sick leave accrues to all full-time employees at the rate of eight hours of each month worked. Upon termination for any reason, employees will be paid for accumulated sick leave up to 720 hours.

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

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

In accordance with the above criteria, the City has an unfunded liability for vacation benefits at December 31, 2012 of \$37,656.10, and has not estimated a liability for sick pay which has been earned, but not taken by City employees, inasmuch as the amount cannot be reasonably estimated.

8. OTHER POST EMPLOYMENT BENEFITS

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

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

9. RISK MANAGEMENT

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

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

10. ECONOMIC DEPENDENCY

During 2012, the City sold 24.23% of its water produced to Greenwood County Rural Water District No. 1 and 17.48% of its water produced to Greenwood County Rural Water District No. 2.

11. CAPITAL PROJECTS

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

<u>PROJECT NAME</u>	<u>AUTHORIZED</u>	<u>EXPENDED THRU 12/31/12</u>	<u>COMPLETION</u>
Community Development Block Grant Project	\$ 423,000.00	\$ 275,045.49	2013

12. OTHER COMMITMENTS

The City entered into a five year purchase agreement as of January 1, 2011 with Waste Connections, Inc. to provide exclusive rights for residential and commercial waste collections for the City of Eureka. After year one Waste Connections, Inc. may adjust rates on an annual basis to reflect the percentage increase in the local Consumer Price Index – All Urban Consumers classified by population of the previous year.

The City has entered into a five year airport manager agreement as of January 1, 2011 with Captain D. Aviation to manage the City’s municipal airport. Under the agreement the City has agreed to pay \$2,000.00 monthly as compensation, with no provisions for increase.

13. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority:</u>	<u>Amount:</u>
Water Utility	General	K.S.A. 12-825d	\$ 360,000.00
Employee Health Benefits	General	K.S.A. 79-2934	20,000.00
Sales Tax	Eureka Public Building Commission Principal and Interest	K.S.A. 12-197	208,000.00
Water Utility	Water Revolving Loan	K.S.A. 12-825d	33,360.00
Water Utility	Water Utility Reserve	K.S.A. 12-825d	20,000.00
Sewer Utility	Sewer Revolving Loan	K.S.A. 12-825d	240,540.00

14. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statements. However, subsequent to year end the City has approved a dam repair project and issued bonds in conjunction with the project. The project’s estimated cost is \$240,000.00 and estimated in be completed in the summer of 2013.

SUPPLEMENTAL INFORMATION

Schedule 1

CITY OF EUREKA, KANSAS
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 (Budgeted Funds Only)
 For the Year Ended December 31, 2012

Funds	Total Certified Budget	Qualifying Adjustments for Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General	\$ 1,717,810.00	\$ 18,400.20	\$ 1,736,210.20	\$ 1,440,604.58	\$ (295,605.62)
Special Purpose Funds:					
Library	82,371.00	9,140.24	91,511.24	77,009.87	(14,501.37)
Employee Health Benefits	32,435.00	-	32,435.00	24,000.00	(8,435.00)
Special Parks and Recreation	5,285.00	1,512.00	6,797.00	6,484.91	(312.09)
Special Highway	84,076.00	-	84,076.00	81,138.85	(2,937.15)
Promotion	10,139.00	-	10,139.00	9,027.34	(1,111.66)
Sales Tax Revenue	979,900.00	-	979,900.00	208,000.00	(771,900.00)
Bond and Interest Fund:					
Bond and Interest	134,153.00	-	134,153.00	82,837.50	(51,315.50)
Business Funds:					
Water Utility	1,013,477.00	1,340.16	1,014,817.16	927,401.84	(87,415.32)
Water Revolving Loan	35,556.00	-	35,556.00	33,202.16	(2,353.84)
Sewer Utility	380,196.00	-	380,196.00	334,772.15	(45,423.85)
Sewer Revolving Loan	240,938.00	-	240,938.00	240,540.08	(397.92)

CITY OF EUREKA, 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	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 396,227.89	\$ 390,216.49	\$ 407,553.00	\$ (17,336.51)
Delinquent Tax	18,458.71	10,432.81	16,596.00	(6,163.19)
Motor Vehicle Tax	71,438.88	64,885.78	76,029.00	(11,143.22)
Recreational Vehicle Tax	935.19	810.92	919.00	(108.08)
16/20 M Vehicle Tax	788.40	895.51	1,012.00	(116.49)
Vehicle Rental Excise Tax	-	2.71	-	2.71
Intergovernmental				
Franchise Tax	169,127.32	162,773.35	157,535.00	5,238.35
Connecting Links	12,384.01	12,392.53	12,384.00	8.53
Local Alcoholic Liquor Tax	3,832.77	5,389.14	4,104.00	1,285.14
Occupation Tax	900.00	450.00	1,200.00	(750.00)
Special Assessments	4,200.65	1,071.40	-	1,071.40
FAA Grant	129,803.00	170,230.00	115,327.00	54,903.00
Fire Grant	-	-	80,000.00	(80,000.00)
KDOT Grant	2,700.00	-	-	-
Licenses and Permits	3,687.00	3,833.50	4,540.00	(706.50)
Fines and Forfeitures	25,660.01	16,950.93	30,794.00	(13,843.07)
Charges for Services				
Cemetery	26,150.00	21,350.78	26,980.00	(5,629.22)
Refuse Collection	30,594.00	27,896.00	30,988.00	(3,092.00)
Animal Tags, Releases, & Cremations	2,549.00	4,511.29	2,726.00	1,785.29
Street Cuts	140.00	235.00	130.00	105.00
Trash Removal Fees	7,425.00	7,830.00	6,570.00	1,260.00
Use of Money and Property				
Interest Income	852.59	830.98	3,735.00	(2,904.02)
Loan Proceeds	119,861.00	-	-	-
Lake Receipts	132,953.07	131,697.57	131,689.00	8.57
Rentals	6,270.00	11,325.50	9,390.00	1,935.50
Other Revenues				
Miscellaneous	12,627.18	11,795.07	9,926.00	1,869.07
Reimbursed Expense	12,304.68	18,400.20	7,172.00	11,228.20
Operating Transfers from:				
Water Utility Fund	250,000.00	360,000.00	340,000.00	20,000.00
Employee Health Benefits Fund	-	20,000.00	-	20,000.00
Total Receipts	1,441,870.35	1,456,207.46	\$ 1,477,299.00	\$ (21,091.54)

CITY OF EUREKA, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
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	
Expenditures				
General Administration				
Personal Services	\$ 183,890.30	\$ 182,969.73	\$ 199,322.00	\$ (16,352.27)
Contractual Services	88,767.25	96,040.24	95,000.00	1,040.24
Commodities	19,469.91	23,434.21	20,227.00	3,207.21
Capital Outlay	18,861.69	9,730.75	17,500.00	(7,769.25)
Street and Alley Department				
Personal Services	203,580.45	191,367.45	214,859.00	(23,491.55)
Contractual Services	12,719.55	16,096.58	16,000.00	96.58
Commodities	80,388.02	72,206.78	72,000.00	206.78
Capital Outlay	147,087.87	77,109.50	150,585.00	(73,475.50)
Community Building Department				
Personal Services	1,771.88	2,840.76	1,749.00	1,091.76
Contractual Services	7,766.27	7,511.21	8,000.00	(488.79)
Commodities	379.71	723.70	1,500.00	(776.30)
Capital Outlay	390.00	173.42	7,500.00	(7,326.58)
Lakes and Park Department				
Personal Services	46,324.16	44,213.92	49,526.00	(5,312.08)
Contractual Services	15,977.60	16,469.99	17,500.00	(1,030.01)
Commodities	9,602.52	12,713.69	14,500.00	(1,786.31)
Capital Outlay	19,306.53	7,139.00	25,000.00	(17,861.00)
Fire Department				
Personal Services	35,373.05	33,669.54	40,168.00	(6,498.46)
Contractual Services	11,574.30	9,403.03	13,000.00	(3,596.97)
Commodities	11,233.74	12,523.37	17,000.00	(4,476.63)
Capital Outlay	10,846.29	9,383.58	92,000.00	(82,616.42)
Industrial Development Department				
Capital Outlay	976.86	10,258.63	8,000.00	2,258.63
Police Department				
Contractual Services	221,000.04	221,000.04	232,000.00	(10,999.96)
Cemetery Department				
Personal Services	45,945.57	40,717.56	42,000.00	(1,282.44)
Contractual Services	923.58	1,016.39	1,000.00	16.39
Commodities	5,180.68	6,296.25	8,000.00	(1,703.75)
Capital Outlay	7,178.24	10,673.36	9,500.00	1,173.36
Animal Control Department				
Personal Services	27,735.74	29,055.39	24,527.00	4,528.39
Contractual Services	3,513.03	4,270.31	5,500.00	(1,229.69)
Commodities	2,645.55	3,501.62	5,500.00	(1,998.38)
Capital Outlay	1,688.54	1,461.27	3,000.00	(1,538.73)

CITY OF EUREKA, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
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	
Expenditures (Continued)				
Airport Department				
Contractual Services	\$ 40,430.34	\$ 41,082.93	\$ 45,000.00	\$ (3,917.07)
Commodities	1,578.78	2,058.76	4,000.00	(1,941.24)
Capital Outlay	140,454.32	182,770.38	128,397.00	54,373.38
Engineering				
Contractual Services	182.00	8,400.00	20,000.00	(11,600.00)
Economic Development				
Contractual Services	-	2,479.94	50,000.00	(47,520.06)
Library Department				
Appropriations to Library	-	-	8,000.00	(8,000.00)
Debt Service				
Principal	61,695.05	38,417.78	37,970.00	447.78
Interest	13,161.14	11,423.52	11,871.00	(447.48)
Neighborhood Revitalization	603.19	-	609.00	(609.00)
Total Certified Budget			1,717,810.00	(277,205.42)
Adjustments for Qualified Budget Credits				
Reimbursed Expense			18,400.20	(18,400.20)
Total Expenditures	1,500,203.74	1,440,604.58	\$ 1,736,210.20	\$ (295,605.62)
Receipts Over(Under) Expenditures	(58,333.39)	15,602.88		
Unencumbered Cash, Beginning	243,718.18	185,384.79		
Unencumbered Cash, Ending	\$ 185,384.79	\$ 200,987.67		

CITY OF EUREKA, 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	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 56,949.80	\$ 56,873.55	\$ 59,400.00	\$ (2,526.45)
Delinquent Tax	2,669.58	1,505.85	2,444.00	(938.15)
Motor Vehicle Tax	10,369.22	9,360.69	10,928.00	(1,567.31)
Recreational Vehicle Tax	135.63	116.96	132.00	(15.04)
16M and 20M Truck Tax	113.23	130.37	146.00	(15.63)
Vehicle Rental Excise Tax	-	0.40	-	0.40
Other Revenues				
Reimbursed Expense	9,180.80	9,140.24	9,321.00	(180.76)
Total Receipts	79,418.26	77,128.06	\$ 82,371.00	\$ (5,242.94)
Expenditures				
Culture and Recreation:				
Personal Services	9,117.34	5,427.67	\$ 6,227.00	\$ (799.33)
Contractual Services	66.84	3,292.20	3,500.00	(207.80)
Appropriation to Library Board	74,000.00	68,290.00	72,555.00	(4,265.00)
Neighborhood Revitalization	13.82	-	89.00	(89.00)
Total Certified Budget			82,371.00	(5,361.13)
Adjustments for Qualified Budget Credits				
Reimbursed Expenses			9,140.24	(9,140.24)
Total Expenditures	83,198.00	77,009.87	\$ 91,511.24	\$ (14,501.37)
Receipts Over(Under) Expenditures	(3,779.74)	118.19		
Unencumbered Cash, Beginning	3,691.83	(87.91)		
Unencumbered Cash, Ending	<u>\$ (87.91)</u>	<u>\$ 30.28</u>		

CITY OF EUREKA, KANSAS
EMPLOYEE HEALTH BENEFITS 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	
Receipts				
Charges for Services				
Internal Service Fee	\$ 7,230.60	\$ -	\$ 10,500.00	\$ (10,500.00)
Total Receipts	<u>7,230.60</u>	<u>-</u>	<u>\$ 10,500.00</u>	<u>\$ (10,500.00)</u>
Expenditures				
General Government				
Personal Services	2,174.87	4,000.00	\$ 32,435.00	\$ (28,435.00)
Operating Transfer to General Fund	-	20,000.00	-	20,000.00
Total Expenditures	<u>2,174.87</u>	<u>24,000.00</u>	<u>\$ 32,435.00</u>	<u>\$ (8,435.00)</u>
Receipts Over(Under) Expenditures	5,055.73	(24,000.00)		
Unencumbered Cash, Beginning	<u>20,918.28</u>	<u>25,974.01</u>		
Unencumbered Cash, Ending	<u>\$ 25,974.01</u>	<u>\$ 1,974.01</u>		

CITY OF EUREKA, 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	
Receipts				
Intergovernmental				
Local Alcoholic Liquor Tax	\$ 3,832.77	\$ 5,389.16	\$ 4,104.00	\$ 1,285.16
Other Revenues				
Reimbursed Expense	-	1,512.00	-	1,512.00
Total Receipts	<u>3,832.77</u>	<u>6,901.16</u>	<u>\$ 4,104.00</u>	<u>\$ 2,797.16</u>
Expenditures				
Culture and Recreation				
Contractual Services	657.23	687.91	\$ 1,000.00	\$ (312.09)
Commodities	2,680.23	3,000.00	3,000.00	-
Capital Outlay	1,000.00	2,797.00	1,285.00	1,512.00
Total Certified Budget			<u>5,285.00</u>	<u>1,199.91</u>
Adjustments for Qualified Budget Credits				
Reimbursed Expense			1,512.00	(1,512.00)
Total Expenditures	<u>4,337.46</u>	<u>6,484.91</u>	<u>\$ 6,797.00</u>	<u>\$ (312.09)</u>
Receipts Over(Under) Expenditures	(504.69)	416.25		
Unencumbered Cash, Beginning	<u>622.15</u>	<u>117.46</u>		
Unencumbered Cash, Ending	<u>\$ 117.46</u>	<u>\$ 533.71</u>		

CITY OF EUREKA, 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	
Receipts				
Intergovernmental				
Highway Fuel Tax	\$ 66,757.55	\$ 67,989.44	\$ 70,130.00	\$ (2,140.56)
Other Revenues				
Reimbursed Expense	6,923.00	-	-	-
Total Receipts	73,680.55	67,989.44	\$ 70,130.00	\$ (2,140.56)
Expenditures				
Street				
Personal Services	64,121.76	63,045.25	\$ 71,652.00	\$ (8,606.75)
Commodities	28,177.24	18,093.60	12,424.00	5,669.60
Total Expenditures	92,299.00	81,138.85	\$ 84,076.00	\$ (2,937.15)
Receipts Over(Under) Expenditures	(18,618.45)	(13,149.41)		
Unencumbered Cash, Beginning	38,970.85	20,352.40		
Unencumbered Cash, Ending	<u>\$ 20,352.40</u>	<u>\$ 7,202.99</u>		

CITY OF EUREKA, KANSAS
PROMOTION 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	
Receipts				
Intergovernmental				
Transient Guest Tax	\$ 6,916.34	\$ 7,968.85	\$ 8,000.00	\$ (31.15)
Total Receipts	<u>6,916.34</u>	<u>7,968.85</u>	<u>\$ 8,000.00</u>	<u>\$ (31.15)</u>
Expenditures				
Economic Development				
Convention Expense	4,640.00	5,533.34	\$ 8,111.00	\$ (2,577.66)
Tourism Expense	<u>1,160.00</u>	<u>3,494.00</u>	<u>2,028.00</u>	<u>1,466.00</u>
Total Expenditures	<u>5,800.00</u>	<u>9,027.34</u>	<u>\$ 10,139.00</u>	<u>\$ (1,111.66)</u>
Receipts Over(Under) Expenditures	1,116.34	(1,058.49)		
Unencumbered Cash, Beginning	<u>1,177.99</u>	<u>2,294.33</u>		
Unencumbered Cash, Ending	<u>\$ 2,294.33</u>	<u>\$ 1,235.84</u>		

CITY OF EUREKA, KANSAS
SALES TAX REVENUE 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	
Receipts				
Taxes and Shared Revenue				
Sales Tax	\$ 303,738.78	\$ 293,960.76	\$ 307,000.00	\$ (13,039.24)
Use of Money and Property				
Interest Income	239.44	-	1,050.00	(1,050.00)
Total Receipts	<u>303,978.22</u>	<u>293,960.76</u>	<u>\$ 308,050.00</u>	<u>\$ (14,089.24)</u>
Expenditures				
General Government				
Cash Basis Reserve	-	-	\$ 772,367.00	\$ (772,367.00)
Operating Transfers to				
Eureka Public Building Commission				
Principal and Interest Fund	201,100.00	208,000.00	207,533.00	467.00
Total Expenditures	<u>201,100.00</u>	<u>208,000.00</u>	<u>\$ 979,900.00</u>	<u>\$ (771,900.00)</u>
Receipts Over(Under) Expenditures	102,878.22	85,960.76		
Unencumbered Cash, Beginning	<u>565,979.61</u>	<u>668,857.83</u>		
Unencumbered Cash, Ending	<u>\$ 668,857.83</u>	<u>\$ 754,818.59</u>		

CITY OF EUREKA, KANSAS
COMMUNITY DEVELOPMENT BLOCK GRANT PROJECT FUND

Schedule of Receipts and Expenditures - Actual
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
Receipts		
Intergovernmental		
Federal Grant	\$ 21,800.00	\$ 181,933.00
Other Revenues		
Reimbursed Expense	507.00	3,300.00
Total Receipts	<u>22,307.00</u>	<u>185,233.00</u>
Expenditures		
Capital Projects		
Capital Outlay	-	242,218.99
Total Expenditures	<u>-</u>	<u>242,218.99</u>
Receipts Over(Under) Expenditures	22,307.00	(56,985.99)
Unencumbered Cash, Beginning	-	22,307.00
Unencumbered Cash, Ending	<u>\$ 22,307.00</u>	<u>\$ (34,678.99)</u>

CITY OF EUREKA, 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	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 61,271.92	\$ 61,252.16	\$ 63,970.00	\$ (2,717.84)
Delinquent Tax	3,328.72	1,721.50	2,941.00	(1,219.50)
Motor Vehicle Tax	12,490.77	10,419.94	11,756.00	(1,336.06)
Recreational Vehicle Tax	163.37	129.94	142.00	(12.06)
16M and 20M Truck Tax	136.34	157.08	157.00	0.08
Vehicle Rental Excise Tax	-	0.48	-	0.48
Total Receipts	<u>77,391.12</u>	<u>73,681.10</u>	<u>\$ 78,966.00</u>	<u>\$ (5,284.90)</u>
Expenditures				
Debt Service				
Principal	70,000.00	75,000.00	\$ 75,000.00	\$ -
Interest	9,237.50	7,837.50	7,838.00	(0.50)
Cash Basis Reserve	-	-	51,219.00	(51,219.00)
Neighborhood Revitalization	93.27	-	96.00	(96.00)
Total Expenditures	<u>79,330.77</u>	<u>82,837.50</u>	<u>\$ 134,153.00</u>	<u>\$ (51,315.50)</u>
Receipts Over(Under) Expenditures	(1,939.65)	(9,156.40)		
Unencumbered Cash, Beginning	<u>56,909.30</u>	<u>54,969.65</u>		
Unencumbered Cash, Ending	<u>\$ 54,969.65</u>	<u>\$ 45,813.25</u>		

CITY OF EUREKA, KANSAS
EUREKA PUBLIC BUILDING COMMISSION PRINCIPAL AND INTEREST FUND
 Schedule of Receipts and Expenditures - Actual
 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
Receipts		
Operating Transfers from Sales Tax Revenue Fund	\$ 201,100.00	\$ 208,000.00
Total Receipts	201,100.00	208,000.00
Expenditures		
Debt Service		
Principal	100,000.00	110,000.00
Interest	101,532.50	97,532.50
Total Expenditures	201,532.50	207,532.50
Receipts Over(Under) Expenditures	(432.50)	467.50
Unencumbered Cash, Beginning	437.50	5.00
Unencumbered Cash, Ending	\$ 5.00	\$ 472.50

CITY OF EUREKA, KANSAS
REVOLVING LOAN IMPROVEMENT FUND
 Schedule of Receipts and Expenditures - Actual
 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
Receipts		
Use of Money and Property		
Loan Proceeds	\$ 11,145.00	\$ 9,671.00
Total Receipts	11,145.00	9,671.00
Expenditures		
Capital Projects		
Capital Outlay	20,817.79	-
Total Expenditures	20,817.79	-
Receipts Over(Under) Expenditures	(9,672.79)	9,671.00
Unencumbered Cash, Beginning	-	(9,672.79)
Unencumbered Cash, Ending	\$ (9,672.79)	\$ (1.79)

CITY OF EUREKA, KANSAS
STREET PROJECT CONSTRUCTION FUND
Schedule of Receipts and Expenditures - Actual
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
Receipts		
Intergovernmental		
KDOT Grants	\$ 160,114.46	\$ -
Use of Money and Property		
Loan Proceeds	66,586.49	-
Total Receipts	226,700.95	-
Expenditures		
Capital Projects		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	226,700.95	-
Unencumbered Cash, Beginning	(226,700.95)	-
Unencumbered Cash, Ending	\$ -	\$ -

CITY OF EUREKA, KANSAS
WATER UTILITY 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	
Receipts				
Taxes and Shared Revenues				
Delinquent Tax	\$ 55.81	\$ -	\$ -	\$ -
Operating Revenues				
Water Sales	866,770.10	925,021.22	825,000.00	100,021.22
Penalties	9,405.80	8,204.99	9,500.00	(1,295.01)
Connections	13,040.00	9,430.00	11,680.00	(2,250.00)
Use of Money and Property				
Interest Income	371.41	150.16	200.00	(49.84)
Other Revenues				
Miscellaneous	109.35	2,416.90	100.00	2,316.90
Reimbursed Expense	868.00	1,340.16	-	1,340.16
Total Receipts	890,620.47	946,563.43	\$ 846,480.00	\$ 100,083.43
Expenditures				
Operating Expenditures				
Personal Services	211,075.04	233,062.66	\$ 209,362.00	\$ 23,700.66
Contractual Services	58,966.45	57,804.49	59,500.00	(1,695.51)
Commodities	101,767.50	116,287.83	100,000.00	16,287.83
Capital Outlay	64,363.53	106,886.86	251,251.00	(144,364.14)
Operating Transfers to:				
Water Revolving Loan Fund	33,360.00	33,360.00	33,364.00	(4.00)
Water Utility Reserve Fund	20,000.00	20,000.00	20,000.00	-
General Fund	250,000.00	360,000.00	340,000.00	20,000.00
Total Certified Budget			1,013,477.00	(86,075.16)
Adjustments for Qualified Budget Credits				
Reimbursed Expenses			1,340.16	(1,340.16)
Total Expenditures	739,532.52	927,401.84	\$ 1,014,817.16	\$ (87,415.32)
Receipts Over(Under) Expenditures	151,087.95	19,161.59		
Unencumbered Cash, Beginning	80,665.61	231,753.56		
Unencumbered Cash, Ending	\$ 231,753.56	\$ 250,915.15		

CITY OF EUREKA, KANSAS
WATER REVOLVING 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	
Receipts				
Operating Transfers from Water Utility Fund	\$ 33,360.00	\$ 33,360.00	\$ 33,364.00	\$ (4.00)
Total Receipts	<u>33,360.00</u>	<u>33,360.00</u>	<u>\$ 33,364.00</u>	<u>\$ (4.00)</u>
Expenditures				
Debt Service				
Principal	22,225.23	23,159.42	\$ 23,272.00	\$ (112.58)
Interest	10,976.93	10,042.74	10,092.00	(49.26)
Cash Basis Reserve	-	-	2,192.00	(2,192.00)
Total Expenditures	<u>33,202.16</u>	<u>33,202.16</u>	<u>\$ 35,556.00</u>	<u>\$ (2,353.84)</u>
Receipts Over(Under) Expenditures	157.84	157.84		
Unencumbered Cash, Beginning	<u>2,191.47</u>	<u>2,349.31</u>		
Unencumbered Cash, Ending	<u>\$ 2,349.31</u>	<u>\$ 2,507.15</u>		

CITY OF EUREKA, KANSAS
WATER RESERVE FUND

Schedule of Receipts and Expenditures - Actual
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
Receipts		
Operating Transfers from Water Utility Fund	\$ 20,000.00	\$ 20,000.00
Total Receipts	<u>20,000.00</u>	<u>20,000.00</u>
Expenditures		
Capital Improvements Capital Outlay	<u>-</u>	<u>8,641.95</u>
Total Expenditures	<u>-</u>	<u>8,641.95</u>
Receipts Over(Under) Expenditures	20,000.00	11,358.05
Unencumbered Cash, Beginning	<u>49,700.00</u>	<u>69,700.00</u>
Unencumbered Cash, Ending	<u>\$ 69,700.00</u>	<u>\$ 81,058.05</u>

CITY OF EUREKA, KANSAS
METER DEPOSIT FUND

Schedule of Receipts and Expenditures - Actual
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
Receipts		
Other Revenues		
Meter Deposits	\$ 14,210.00	\$ 14,105.00
Total Receipts	<u>14,210.00</u>	<u>14,105.00</u>
Expenditures		
Utility Services		
Deposit Refunds	<u>12,641.95</u>	<u>13,728.80</u>
Total Expenditures	<u>12,641.95</u>	<u>13,728.80</u>
Receipts Over(Under) Expenditures	1,568.05	376.20
Unencumbered Cash, Beginning	<u>4,527.32</u>	<u>6,095.37</u>
Unencumbered Cash, Ending	<u>\$ 6,095.37</u>	<u>\$ 6,471.57</u>

CITY OF EUREKA, KANSAS
SEWER UTILITY 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	
Receipts				
Operating Revenues				
Sewer Charges	\$ 327,247.73	\$ 326,111.50	\$ 332,000.00	\$ (5,888.50)
Penalties	6,907.04	6,430.22	7,400.00	(969.78)
Connecting Fees	330.00	250.00	216.00	34.00
Use of Money and Property				
Interest Income	295.80	71.16	100.00	(28.84)
Other Revenues				
Reimbursed Expense	123.30	-	-	-
Miscellaneous	431.00	1,143.90	300.00	843.90
Total Receipts	335,334.87	334,006.78	\$ 340,016.00	\$ (6,009.22)
Expenditures				
Operating Expenditures				
General and Administrative				
Personal Services	42,087.23	40,380.28	\$ 44,269.00	\$ (3,888.72)
Contractual Services	25,864.06	26,623.44	42,500.00	(15,876.56)
Commodities	9,035.28	9,719.73	10,000.00	(280.27)
Capital Outlay	28,306.36	17,508.70	22,887.00	(5,378.30)
Operating Transfers to:				
Sewer Utility Reserve Fund	20,000.00	-	20,000.00	(20,000.00)
Sewer Revolving Loan Fund	240,540.00	240,540.00	240,540.00	-
Total Expenditures	365,832.93	334,772.15	\$ 380,196.00	\$ (45,423.85)
Receipts Over(Under) Expenditures	(30,498.06)	(765.37)		
Unencumbered Cash, Beginning	83,573.60	53,075.54		
Unencumbered Cash, Ending	<u>\$ 53,075.54</u>	<u>\$ 52,310.17</u>		

CITY OF EUREKA, KANSAS
SEWER REVOLVING 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	
Receipts				
Operating Transfers from Sewer Utility Fund	\$ 240,540.00	\$ 240,540.00	\$ 240,540.00	\$ -
Total Receipts	240,540.00	240,540.00	\$ 240,540.00	\$ -
Expenditures				
Debt Service				
Principal	205,422.15	211,895.97	\$ 211,382.00	\$ 513.97
Interest	35,117.93	28,644.11	29,158.00	(513.89)
Cash Basis Reserve	-	-	398.00	(398.00)
Total Expenditures	240,540.08	240,540.08	\$ 240,938.00	\$ (397.92)
Receipts Over(Under) Expenditures	(0.08)	(0.08)		
Unencumbered Cash, Beginning	398.34	398.26		
Unencumbered Cash, Ending	\$ 398.26	\$ 398.18		

CITY OF EUREKA, KANSAS
SEWER RESERVE FUND

Schedule of Receipts and Expenditures - Actual
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
Receipts		
Operating Transfers from Sewer Utility Fund	\$ 20,000.00	\$ -
Total Receipts	20,000.00	-
Expenditures		
Capital Improvements Capital Outlay	-	9,977.50
Total Expenditures	-	9,977.50
Receipts Over(Under) Expenditures	20,000.00	(9,977.50)
Unencumbered Cash, Beginning	32,676.99	52,676.99
Unencumbered Cash, Ending	\$ 52,676.99	\$ 42,699.49

CITY OF EUREKA, KANSAS
AGENCY FUNDS
 Schedule of Receipts and Disbursements
 For the Year Ended December 31, 2012

	<u>Beginning Cash Balances</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash Balances</u>
Refuse Collections	\$ 53,294.41	\$ 223,433.78	\$ 222,141.52	\$ 54,586.67
Total Agency Funds	<u>\$ 53,294.41</u>	<u>\$ 223,433.78</u>	<u>\$ 222,141.52</u>	<u>\$ 54,586.67</u>



Communication of Material Weaknesses

Honorable Mayor and City Council
City of Eureka, Kansas

In planning and performing our audit of the financial statement of City of Eureka, Kansas as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered City of Eureka, Kansas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Eureka, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Eureka, 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 discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in City of Eureka, Kansas' internal control to be material weaknesses:

Preparation of Financial Statement

Accounting standards states the client must be able to accept responsibility and be able to identify a material misstatement when reviewing the financial statement, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the City staff does not have the ability to process and prepare the required financial statement, including footnotes. The potential effects of this material weakness could be unrecognized errors on the financial statement. While we recognize that this condition is not unusual for a City your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Council should continually be aware of the financial reporting of the City and changes in reporting requirements.

Jarred, Gilmore & Phillips, PA
CERTIFIED PUBLIC ACCOUNTANTS

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Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the City's financial activity is properly recorded, processed, summarized, and reported in the financial statement. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the City. Due to small staff size, it is not possible for reviews of daily work to take place, potentially resulting in errors in financial records and reports.

This communication is intended solely for the information and use of management, City Council, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

July 2, 2013
Chanute, Kansas