

**CITY OF LACROSSE, KANSAS**

Financial Statement With Independent Auditors' Report

For the Year Ended December 31, 2012

**CITY OF LACROSSE, KANSAS**  
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 For the Year Ended December 31, 2012

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**CITY OF LACROSSE, KANSAS**  
*Financial Statement With Independent Auditors' Report*  
For the Year Ended December 31, 2012

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Certified  
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## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Commission  
**City of LaCrosse, Kansas**  
LaCrosse, Kansas

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

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

As described in Note 1, the financial statement is prepared by **City of LaCrosse, 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 in the first paragraph does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of **City of LaCrosse, Kansas** as of December 31, 2012, or the changes in its financial position and cash flows for the year then ended.

#### **Opinion on Regulatory Basis of Accounting**

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

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures and unencumbered cash (basic financial statement) as a whole. The summary of expenditures – actual and budget and individual fund schedules of receipts and expenditures (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement; however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2013, on our consideration of **City of LaCrosse, Kansas**' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* in considering **City of LaCrosse, Kansas'** internal control over financial reporting and compliance.

*Adams, Brown, Beran & Ball*

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

June 12, 2013

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

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Type Funds</b>							
<b>General Fund</b>	\$ 147,035	-	776,382	759,963	163,454	28,840	192,294
<b>Special Purpose Funds</b>							
Trafficways	16,938	-	34,413	32,226	19,125	-	19,125
Equipment Reserve	55,444	-	40,000	3,045	92,399	-	92,399
Capital Improvement Reserve	150,549	-	50,000	76,608	123,941	-	123,941
Capital Improvement Reserve - Streets	50,006	-	124,453	95,037	79,422	-	79,422
Special Parks	2,593	-	504	1,072	2,025	-	2,025
<b>Capital Project Fund</b>							
Capital Project - Sewer Project	(1,356,003)	-	1,332,916	117,513	(140,600)	137,402	(3,198)
<b>Business Funds</b>							
Sanitation Utility	76,167	-	385,573	381,537	80,203	17,574	97,777
Sewer Utility Reserve	266,934	-	60,000	-	326,934	-	326,934
Revenue Water Utility	77,403	-	325,521	347,750	55,174	16,591	71,765
Water Depreciation Reserve	294,843	-	19,563	4,710	309,696	-	309,696
Revenue Electric Utility	390,281	-	1,326,894	1,278,005	439,170	68,484	507,654
Electric Depreciation Reserve	744,713	-	100,000	90,290	754,423	83,610	838,033
<b>Trust Funds</b>							
Cemetery Trusts	37,448	-	31	1,185	36,294	50	36,344
Customer Deposits	-	-	11,933	11,933	-	32,626	32,626
<b>Total Reporting Entity</b>	<b>\$ 954,351</b>	<b>-</b>	<b>4,588,183</b>	<b>3,200,874</b>	<b>2,341,660</b>	<b>385,177</b>	<b>2,726,837</b>

**Composition of Cash**

Certificates of Deposits	2,107,000
Savings Accounts	9,840
Checking Accounts	605,997
Petty Cash	4,000
<b>Total Reporting Entity</b>	<b>\$ 2,726,837</b>

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

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

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

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

**Use of Estimates**

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

**Financial Reporting Entity**

The City is a municipal corporation governed by an elected three-member commission. A related municipal entity is an entity established to benefit the City and/or its constituents. The City has no related municipal entities.

**Basis of Presentation – Fund Accounting**

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

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

**Regulatory Basis Fund Types**

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

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

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

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

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

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

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**Basis of Accounting**

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

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

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

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

**Property Tax Calendar**

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

**Restricted Assets**

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

**Reimbursements**

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

**NOTE 2 - BUDGETARY INFORMATION**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds.

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

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were 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 City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds: Equipment Reserve, Capital Improvement Reserve, and Capital Improvement Reserve – Streets.

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

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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 K.S.A. 9-1405.

**Custodial Credit Risk – Deposits**

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

At December 31, 2012, the City's carrying amount of deposits was \$2,726,837 and the bank balance was \$2,730,678. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$252,354 was covered by federal depository insurance and \$2,478,324 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

**Custodial Credit Risk – Investments**

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

**NOTE 4 – INTERFUND TRANSFERS**

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of LaCrosse, Kansas'** interfund transfers and regulatory authority for the year ended December 31, 2012 were as follows:

From	To	Statutory Authority	Amount
General Fund	Equipment Reserve Fund	K.S.A. 12-1117	\$ 40,000
General Fund	Capital Improvement Reserve Fund	K.S.A. 12-1118	50,000
General Fund	Capital Imp Reserve - Streets Fund	K.S.A. 12-1118	124,453
Revenue Electric Utility Fund	General Fund	K.S.A. 12-825d	130,000
Sanitation Utility Fund	Sewer Utility Reserve Fund	K.S.A. 12-825d	60,000
Revenue Water Utility Fund	Water Depreciation Reserve Fund	K.S.A. 12-825d	19,563
Revenue Electric Utility Fund	Electric Depreciation Reserve Fund	K.S.A. 12-825d	100,000

**NOTE 5 – CAPITAL PROJECTS**

The City entered into a new capital project on August 31, 2010 with the Kansas Department of Health and Environment for sewer upgrades. The City is anticipating debt forgiveness on this project of \$1,071,412. Therefore, all debt incurred as of December 31, 2012 is expected to be forgiven. Capital project

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

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

	Project Authorization	Cash Disbursements And Accounts Payable To Date
KWPCRLF Project No. C20 1206 01 (Sewer Project)	\$ 2,678,530	\$ 2,264,032

**NOTE 6 – LITIGATION**

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

**NOTE 7 – RISK MANAGEMENT**

**City of LaCrosse, Kansas** carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, umbrella, workmen’s compensation, linebacker, and surety bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 8 – GRANTS AND SHARED REVENUES**

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

**NOTE 9 – DEFERRED COMPENSATION PLAN**

**City of LaCrosse, Kansas** employees may participate in a deferred compensation created in accordance with Internal Revenue Code Section 457(b). Participation is on a voluntary payroll deduction basis. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or in case of limited specific circumstances. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income that is attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

**NOTE 10 - DEFINED BENEFIT PENSION PLAN**

Plan Description

**City of LaCrosse, Kansas** participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial

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

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statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

**Funding Policy**

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

**NOTE 11 - OTHER POST EMPLOYMENT BENEFITS**

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

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

**NOTE 12 - COMPENSATED ABSENCES**

**Vacation**

**City of LaCrosse, Kansas'** policy regarding vacation for full-time employees (non-police officers) is as follows:

<u>Years Worked</u>	<u>Amount Earned</u>
0-10	8 hours/month
11 and over	10 hours/month

The City's policy regarding vacation for full-time police officers is as follows:

<u>Years Worked</u>	<u>Amount Earned</u>
0-10	9 hours/month
11 and over	11 hours/month

Vacation is earned beginning with the date of employment but may not be taken until the employee completes six months of service. An employee who works fewer than 12 days in any month shall not accrue vacation for such month of service. This restriction of 12 days shall not apply where the employee has worked fewer than 12 days due to authorized vacation or sick leave. The maximum accrual for vacation shall be no more than 120 hours for non-police officer employees and 135 hours for police officers.

Accrued vacation is paid to the employee at the current regular rate in the event of termination. The potential liability for vacation at December 31, 2012 was \$16,309. This is not reflected in the financial statement.

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

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**Sick Leave**

The City's policy for sick leave permits a full-time employee (non-police officer) to earn sick leave at the rate of 8 hours per calendar month up to a maximum of 720 hours. Full time police officers shall earn sick leave at a rate of 9 hours per calendar month up to a maximum of 720 hours. Accrued sick leave is not paid to the employee in the event of termination. The potential liability for sick leave at December 31, 2012 was \$68,580. This is not reflected in the financial statement.

**NOTE 13 – DEBT RESTRICTIONS AND COVENANTS**

**KDHE Wastewater Treatment Loan**

**City of LaCrosse, Kansas** entered into a loan agreement with the Kansas Department of Health and Environment to fund the improvements to the wastewater treatment plant in the amount of \$2,678,530. The loan agreement requires that the City provide for the repayment of this loan by providing dedicated funds. The City is in compliance with this requirement as of December 31, 2012 as it is providing dedicated funds through wastewater fees.

**NOTE 14 – LONG-TERM DEBT**

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

**KDHE Revolving Loan**

The City entered into a \$2,678,530 revolving loan agreement on August 8, 2010 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas under the public water supply revolving loan program to fund costs of acquiring, constructing, improving, repairing, rehabilitating or extending municipal wastewater treatment projects.

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

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
<b>KDHE Loan</b>									
Kansas Water Pollution Control Revolving Loan	2.59%	8/8/10	2,678,530	03/01/32	2,678,530	-	(35,745)	2,642,785 *	17,255

\* The City of LaCrosse estimates that \$1,071,412 of the loan will be forgiven under provision of ARRA funding.

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

	YEAR								Total
	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	
<b>Principal</b>									
Kansas Water Pollution Revolving Loan	72,800	110,617	113,500	116,460	119,495	645,857	734,541	729,515	2,642,785
<b>Interest</b>									
Kansas Water Pollution Revolving Loan	68,660	66,303	63,420	60,460	57,425	238,743	150,059	66,619	771,689
<b>Total Principal and Interest</b>	<b>\$ 141,460</b>	<b>176,920</b>	<b>176,920</b>	<b>176,920</b>	<b>176,920</b>	<b>884,600</b>	<b>884,600</b>	<b>796,134</b>	<b>3,414,474</b>



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

To the City Commission  
**City of LaCrosse, Kansas**  
LaCrosse, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Accounting and Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of **City of LaCrosse, Kansas**, as of and for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated June 12, 2013. The report on the audited financial statement was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was unqualified as presented on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered **City of LaCrosse, Kansas'** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of **City of LaCrosse, Kansas'** internal control. Accordingly, we do not express an opinion on the effectiveness of **City of LaCrosse, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs (2012-1) that we consider to be a significant deficiency.

**Compliance and Other Matters**

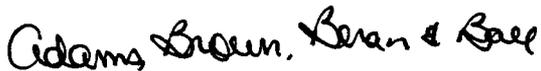
As part of obtaining reasonable assurance about whether **City of LaCrosse, Kansas'** financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of LaCrosse, Kansas' Response to Findings**

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

**Purpose of This Report**

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



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

June 12, 2013

Certified  
Public  
Accountants

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

To the City Commission  
**City of LaCrosse**  
LaCrosse, Kansas

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

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

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

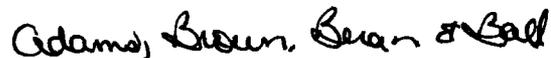
**Report on Internal Control Over Compliance**

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

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

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

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



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

June 12, 2013

**CITY OF LACROSSE, KANSAS**

Regulatory-Required Supplementary Information

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

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>Governmental Fund Categories</b>					
<b>General Fund</b>	\$ 911,525	-	911,525	759,963	(151,562)
<b>Special Purpose Funds</b>					
Trafficways	45,672	-	45,672	32,226	(13,446)
Special Parks	5,037	-	5,037	1,072	(3,965)
<b>Business Funds</b>					
Sanitation Utility	423,750	-	423,750	381,537	(42,213)
Revenue Water Utility	347,750	-	347,750	347,750	-
Revenue Electric Utility	1,461,160	-	1,461,160	1,278,005	(183,155)

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Taxes</b>				
Ad Valorem Tax	\$ 324,363	337,512	342,900	(5,388)
Intangible Tax	22,621	18,492	17,122	1,370
Vehicle Tax	65,004	65,426	64,654	772
Local Sales Tax	124,540	124,453	150,000	(25,547)
<b>Total Taxes</b>	<u>536,528</u>	<u>545,883</u>	<u>574,676</u>	<u>(28,793)</u>
<b>Intergovernmental</b>				
Alcohol-Liquor Distribution	384	504	521	(17)
<b>Licenses and Permits</b>				
Franchise Fees	37,066	37,061	40,000	(2,939)
Liquor and Beer Licenses	1,350	775	500	275
Permits and Inspections	1,245	1,345	500	845
Dog Tags and Fees	413	509	200	309
<b>Total Licenses and Permits</b>	<u>40,074</u>	<u>39,690</u>	<u>41,200</u>	<u>(1,510)</u>
<b>Charges for Services</b>				
Sale of Cemetery Lots	8,915	8,965	7,000	1,965
<b>Fines and Forfeitures</b>				
Fines and Fees	10,033	8,817	7,000	1,817
<b>Use of Money and Property</b>				
Swimming Pool	6,714	6,977	5,000	1,977
Community Building	5,292	6,465	3,000	3,465
Interest on Idle Funds	7,961	6,095	10,000	(3,905)
Miscellaneous	16,507	22,986	10,000	12,986
Transfers In	128,100	130,000	130,000	-
<b>Total Use of Money and Property</b>	<u>164,574</u>	<u>172,523</u>	<u>158,000</u>	<u>14,523</u>
<b>Total Cash Receipts</b>	\$ <u>760,508</u>	<u>776,382</u>	<u>788,397</u>	<u>(12,015)</u>

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Expenditures</b>				
<b>General Government</b>				
Salaries	\$ 95,430	<b>84,705</b>	104,000	(19,295)
Office Supplies	2,113	<b>1,829</b>	2,000	(171)
Telephone	3,075	<b>2,957</b>	4,500	(1,543)
Insurance	15,404	<b>16,459</b>	17,500	(1,041)
Bonds	200	<b>100</b>	300	(200)
Legal Publication	568	<b>742</b>	800	(58)
Dogs	400	<b>440</b>	900	(460)
Auto	1,869	<b>1,545</b>	2,000	(455)
Repairs	910	<b>1,053</b>	3,000	(1,947)
Miscellaneous	10,363	<b>10,201</b>	12,000	(1,799)
Accounting and Legal	17,940	<b>16,750</b>	15,000	1,750
Risk Management	-	-	2,500	(2,500)
Demolition	8,597	<b>4,652</b>	8,425	(3,773)
<b>Total General Government</b>	<u>156,869</u>	<u><b>141,433</b></u>	<u>172,925</u>	<u>(31,492)</u>
<b>Police Department</b>				
Salaries	134,795	<b>108,932</b>	125,000	(16,068)
Telephone	3,617	<b>2,827</b>	6,000	(3,173)
Insurance	3,355	<b>3,500</b>	4,000	(500)
Jail Keep	245	-	1,000	(1,000)
Gas and Oil	9,859	<b>10,763</b>	9,000	1,763
Auto Expense	11,272	<b>5,216</b>	8,000	(2,784)
Dispatcher	25,903	<b>31,817</b>	28,000	3,817
Miscellaneous	10,881	<b>8,079</b>	12,000	(3,921)
<b>Total Police Department</b>	<u>199,927</u>	<u><b>171,134</b></u>	<u>193,000</u>	<u>(21,866)</u>
<b>Street Department</b>				
Salaries	16,185	<b>12,203</b>	17,000	(4,797)
Insurance	2,791	<b>2,932</b>	4,000	(1,068)
Gas and Oil	5,633	<b>5,082</b>	7,500	(2,418)
Truck and Car Maintenance	2,396	<b>2,990</b>	10,000	(7,010)
Tractor Maintenance	355	<b>3,723</b>	2,500	1,223
Sweeper Maintenance	929	<b>1,366</b>	2,000	(634)
Shop Expense	2,464	<b>3,037</b>	4,000	(963)
Supplies	3,263	<b>4,449</b>	6,000	(1,551)
Miscellaneous	2,703	<b>1,113</b>	2,000	(887)
<b>Total Street Department</b>	<u>\$ 36,719</u>	<u><b>36,895</b></u>	<u>55,000</u>	<u>(18,105)</u>

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Community Building</b>				
Insurance	\$ 5,393	<b>6,191</b>	5,000	1,191
Supplies	3,977	<b>2,644</b>	3,500	(856)
Telephone and Utilities	5,180	<b>4,857</b>	10,000	(5,143)
<b>Total Community Building</b>	<u>14,550</u>	<u><b>13,692</b></u>	<u>18,500</u>	<u>(4,808)</u>
<b>Park Department</b>				
Salaries	2,543	<b>2,848</b>	3,000	(152)
Gas and Oil	1,000	<b>927</b>	1,000	(73)
Supplies	882	<b>2,574</b>	3,000	(426)
Mower Maintenance	2,336	<b>804</b>	1,850	(1,046)
Miscellaneous	284	<b>384</b>	750	(366)
<b>Total Park Department</b>	<u>7,045</u>	<u><b>7,537</b></u>	<u>9,600</u>	<u>(2,063)</u>
<b>Cemetery Department</b>				
Salaries	4,856	<b>3,630</b>	8,500	(4,870)
Gas and Oil	3,145	<b>1,342</b>	3,000	(1,658)
Supplies	475	<b>237</b>	1,000	(763)
<b>Total Cemetery Department</b>	<u>8,476</u>	<u><b>5,209</b></u>	<u>12,500</u>	<u>(7,291)</u>
<b>Swimming Pool</b>				
Salaries	18,142	<b>20,112</b>	22,000	(1,888)
Insurance	2,329	<b>2,517</b>	2,500	17
Repairs	2,318	<b>580</b>	1,500	(920)
Supplies	1,905	<b>3,691</b>	3,000	691
Telephone and Utilities	165	<b>199</b>	500	(301)
<b>Total Swimming Pool</b>	<u>24,859</u>	<u><b>27,099</b></u>	<u>29,500</u>	<u>(2,401)</u>
<b>Employees Benefits</b>				
Health Insurance	44,313	<b>35,224</b>	65,000	(29,776)
Social Security	44,958	<b>43,181</b>	55,000	(11,819)
KPERS	41,843	<b>42,899</b>	42,000	899
Unemployment Insurance	589	<b>589</b>	1,000	(411)
Workmen's Compensation	17,009	<b>20,618</b>	17,500	3,118
<b>Total Employee Benefits</b>	<u>\$ 148,712</u>	<u><b>142,511</b></u>	<u>180,500</u>	<u>(37,989)</u>

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Transfers Out</b>	\$ 214,540	<b>214,453</b>	240,000	(25,547)
<b>Total Expenditures</b>	811,697	<b>759,963</b>	<u>911,525</u>	<u>(151,562)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(51,189)	<b>16,419</b>		
<b>Unencumbered Cash - Beginning</b>	198,224	<b>147,035</b>		
<b>Unencumbered Cash - Ending</b>	\$ <u>147,035</u>	<u><b>163,454</b></u>		

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Intergovernmental				
State Aid	\$ 33,289	<b>34,413</b>	35,000	(587)
<b>Expenditures</b>				
Salaries	20,363	<b>24,139</b>	24,000	139
Supplies	8,297	<b>1,617</b>	5,000	(3,383)
Road Oil, Sand and Asphalt	8,363	<b>6,470</b>	16,672	(10,202)
<b>Total Expenditures</b>	<b>37,023</b>	<b>32,226</b>	<b>45,672</b>	<b>(13,446)</b>
<b>Cash Receipts Over (Under) Expenditures</b>	(3,734)	<b>2,187</b>		
<b>Unencumbered Cash - Beginning</b>	<b>20,672</b>	<b>16,938</b>		
<b>Unencumbered Cash - Ending</b>	\$ <b>16,938</b>	<b>19,125</b>		

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

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 40,000	40,000
<b>Expenditures</b>		
Capital Outlay	29,261	3,045
<b>Cash Receipts Over (Under) Expenditures</b>	10,739	36,955
<b>Unencumbered Cash - Beginning</b>	44,705	55,444
<b>Unencumbered Cash - Ending</b>	\$ 55,444	92,399

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

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 50,000	50,000
Reimbursements	16,268	-
<b>Total Cash Receipts</b>	<b>66,268</b>	<b>50,000</b>
<b>Expenditures</b>		
Capital Outlay	13,523	76,608
<b>Cash Receipts Over (Under) Expenditures</b>	<b>52,745</b>	<b>(26,608)</b>
<b>Unencumbered Cash - Beginning</b>	<b>97,804</b>	<b>150,549</b>
<b>Unencumbered Cash - Ending</b>	<b>\$ 150,549</b>	<b>123,941</b>

**CITY OF LACROSSE, KANSAS**  
**Capital Improvement Reserve - Streets**  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2012  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 124,540	124,453
<b>Expenditures</b>		
Capital Outlay	108,865	95,037
KDHE Loan Repayment	245,811	-
<b>Total Expenditures</b>	<u>354,676</u>	<u>95,037</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(230,136)	29,415.91
<b>Unencumbered Cash - Beginning</b>	<u>280,142</u>	<u>50,006</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 50,006</u>	<u>79,422</u>

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Intergovernmental				
Local Alcoholic Liquor Tax	\$ 384	504	521	(17)
<b>Expenditures</b>				
Commodities	992	1,072	5,037	(3,965)
<b>Cash Receipts Over (Under) Expenditures</b>	(608)	(568)		
<b>Unencumbered Cash - Beginning</b>	3,201	2,593		
<b>Unencumbered Cash - Ending</b>	\$ 2,593	2,025		

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

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
KDHE Loan Proceeds	\$ 696,005	1,332,916
<b>Expenditures</b>		
Capital Outlay	2,052,008	117,513
<b>Cash Receipts Over (Under) Expenditures</b>	(1,356,003)	1,215,403
<b>Unencumbered Cash - Beginning</b>	-	(1,356,003)
<b>Unencumbered Cash - Ending</b>	\$ (1,356,003)	(140,600)

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Charges for Services				
Sewer Service	\$ 172,387	215,705	220,000	(4,295)
Trash Service	165,546	164,671	155,000	9,671
Landfill	732	660	700	(40)
Miscellaneous	870	4,537	-	4,537
<b>Total Cash Receipts</b>	<b>339,535</b>	<b>385,573</b>	<b>375,700</b>	<b>9,873</b>
<b>Expenditures</b>				
Salaries	83,175	85,853	85,000	853
Medical Insurance	10,826	10,922	12,000	(1,078)
Disposal Plant Expense	1,494	1,542	4,000	(2,458)
Insurance	3,110	3,362	3,000	362
Gas and Oil	500	401	500	(99)
Office Expense	739	737	750	(13)
Sewer Repairs and Supplies	1,377	1,128	6,000	(4,872)
Trash Service	2,118	2,176	2,500	(324)
Contracted Service	160,965	160,630	165,000	(4,370)
Miscellaneous	2,420	1,786	5,000	(3,214)
Capital Improvements	7,308	-	30,000	(30,000)
Debt Payment	-	53,000	50,000	3,000
Transfers Out	100,000	60,000	60,000	-
<b>Total Expenditures</b>	<b>374,032</b>	<b>381,537</b>	<b>423,750</b>	<b>(42,213)</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>(34,497)</b>	<b>4,036</b>		
<b>Unencumbered Cash - Beginning</b>	<b>110,664</b>	<b>76,167</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 76,167</b>	<b>80,203</b>		

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

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 100,000	60,000
<b>Expenditures</b>		
Repairs	28,998	-
<b>Cash Receipts Over (Under) Expenditures</b>	71,002	60,000
<b>Unencumbered Cash - Beginning</b>	195,932	266,934
<b>Unencumbered Cash - Ending</b>	\$ 266,934	326,934

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Charges for Services</b>				
Sales to Consumers	\$ 317,457	321,361	325,000	(3,639)
Water Fee for State Water Project	1,617	1,668	3,000	(1,332)
Tap Fees	-	-	2,000	(2,000)
Service Charges	1,240	1,402	1,115	287
Bulk Sales	-	432	300	132
Miscellaneous	1,788	658	-	658
<b>Total Cash Receipts</b>	<u>322,102</u>	<u>325,521</u>	<u>331,415</u>	<u>(5,894)</u>
<b>Expenditures</b>				
<b>Administration</b>				
Medical Insurance	-	-	500	(500)
Office Supplies	1,509	1,428	1,500	(72)
Water Fee for State Water Project	3,138	2,546	4,500	(1,954)
Miscellaneous	724	573	750	(177)
<b>Total Administration</b>	<u>5,371</u>	<u>4,547</u>	<u>7,250</u>	<u>(2,703)</u>
<b>Production Department</b>				
Salaries	54,194	59,114	64,000	(4,886)
Medical Insurance	11,743	11,634	14,000	(2,366)
Insurance	3,483	3,325	3,000	325
Gas and oil	1,696	1,882	3,000	(1,118)
Repairs	9,637	6,674	10,000	(3,326)
Supplies	2,029	2,320	2,000	320
Chemicals	94,174	121,370	90,000	31,370
Walnut Wells Utilities	10,050	10,776	9,000	1,776
Miscellaneous	1,900	1,080	2,000	(920)
<b>Total Production Department</b>	<u>188,906</u>	<u>218,175</u>	<u>197,000</u>	<u>21,175</u>
<b>Distribution Department</b>				
Salaries	43,420	44,166	50,000	(5,834)
Medical Insurance	34,312	34,190	38,000	(3,810)
Insurance	3,054	3,283	4,000	(717)
Gas and Oil	4,373	3,944	5,000	(1,056)
Truck and Car Maintenance	292	575	1,000	(425)
Shop Expense	944	1,263	1,000	263
Supplies	958	1,304	2,000	(696)
Meters and Supplies	11,094	15,983	15,000	983
Water Tower	-	-	1,000	(1,000)
Miscellaneous	1,721	757	1,500	(743)
<b>Total Distribution Department</b>	<u>\$ 100,168</u>	<u>105,465</u>	<u>118,500</u>	<u>(13,035)</u>

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Expenditures</b>				
Transfers Out	\$ 25,000	19,563	25,000	(5,437)
<b>Total Expenditures</b>	319,445	347,750	347,750	-
<b>Cash Receipts Over (Under) Expenditures</b>	2,657	(22,229)		
<b>Unencumbered Cash - Beginning</b>	74,746	77,403		
<b>Unencumbered Cash - Ending</b>	\$ 77,403	55,174		

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

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 25,000	19,563
<b>Expenditures</b>		
Capital Outlay	5,295	4,710
<b>Cash Receipts Over (Under) Expenditures</b>	19,705	14,853
<b>Unencumbered Cash - Beginning</b>	275,138	294,843
<b>Unencumbered Cash - Ending</b>	\$ 294,843	309,696

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
<b>Charges for Services</b>				
Sales to Customers	\$ 1,321,059	<b>1,312,208</b>	1,350,000	(37,792)
Service Charges	1,542	<b>1,745</b>	2,000	(255)
Miscellaneous	11,698	<b>12,941</b>	12,000	941
<b>Total Cash Receipts</b>	<u>1,334,299</u>	<u><b>1,326,894</b></u>	<u>1,364,000</u>	<u>(37,106)</u>
<b>Expenditures</b>				
<b>Administration</b>				
Salaries	22,032	<b>52,667</b>	32,960	19,707
Medical Insurance	89	<b>86</b>	2,000	(1,914)
Office Supplies	5,005	<b>4,846</b>	5,000	(154)
Sales Tax	31,291	<b>30,877</b>	30,000	877
Miscellaneous	1,829	<b>3,424</b>	5,000	(1,576)
<b>Total Administration</b>	<u>60,246</u>	<u><b>91,900</b></u>	<u>74,960</u>	<u>16,940</u>
<b>Production Department</b>				
Salaries	40,438	<b>39,380</b>	43,000	(3,620)
Medical Insurance	11,743	<b>11,634</b>	15,000	(3,366)
Insurance	24,691	<b>25,730</b>	27,000	(1,270)
Gas and Oil	1,666	<b>9,441</b>	10,000	(559)
Repairs	22,005	<b>14,301</b>	18,000	(3,699)
Supplies	45,108	<b>14,481</b>	45,000	(30,519)
Purchase of Energy	735,098	<b>680,114</b>	795,000	(114,886)
Chemical	1,416	<b>2,901</b>	3,500	(599)
Fixed Energy Charge	-	-	2,500	(2,500)
Miscellaneous	1,380	<b>860</b>	2,000	(1,140)
<b>Total Production Department</b>	<u>883,545</u>	<u><b>798,842</b></u>	<u>961,000</u>	<u>(162,158)</u>
<b>Distribution Department</b>				
Salaries	73,619	<b>76,519</b>	85,000	(8,481)
Medical Insurance	17,840	<b>17,672</b>	20,000	(2,328)
Insurance	3,270	<b>3,455</b>	4,000	(545)
Gas and Oil	3,267	<b>3,022</b>	3,500	(478)
Repair and Maintenance	537	<b>209</b>	1,000	(791)
Vehicle Expense	4,972	<b>7,459</b>	15,000	(7,541)
Wire, Poles, Transformers, Meters	30,341	<b>38,899</b>	60,000	(21,101)
Shop	1,994	<b>1,622</b>	2,200	(578)
Miscellaneous	1,050	<b>8,197</b>	4,000	4,197
Capital Improvements	-	<b>209</b>	500	(291)
<b>Total Distribution Department</b>	<u>\$ 136,890</u>	<u><b>157,263</b></u>	<u>195,200</u>	<u>(37,937)</u>

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Expenditures</b>				
Transfers Out	\$ 153,100	<b>230,000</b>	230,000	-
<b>Total Expenditures</b>	<u>1,233,781</u>	<u><b>1,278,005</b></u>	<u>1,461,160</u>	<u>(183,155)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	100,518	<b>48,889</b>		
<b>Unencumbered Cash - Beginning</b>	<u>289,763</u>	<u><b>390,281</b></u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>390,281</u>	<u><b>439,170</b></u>		

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

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 25,000	100,000
<b>Expenditures</b>		
Capital Outlay	11,462	90,290
<b>Cash Receipts Over (Under) Expenditures</b>	13,538	9,710
<b>Unencumbered Cash - Beginning</b>	731,175	744,713
<b>Unencumbered Cash - Ending</b>	\$ 744,713	754,423

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

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest From Trust Funds	\$ 56	31
<b>Expenditures</b>		
Miscellaneous	185	1,185
<b>Cash Receipts Over (Under) Expenditures</b>	(129)	(1,154)
<b>Unencumbered Cash - Beginning</b>	37,577	37,448
<b>Unencumbered Cash - Ending</b>	\$ 37,448	36,294

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

	Prior Year Actual	Current Year Actual
<b>Cash Receipts</b>		
Utility Deposits	\$ 13,525	11,933
<b>Expenditures</b>		
Utility Deposit Refunds	13,525	11,933
<b>Cash Receipts Over (Under) Expenditures</b>	-	-
<b>Unencumbered Cash - Beginning</b>	-	-
<b>Unencumbered Cash - Ending</b>	\$ -	-

**CITY OF LACROSSE, KANSAS**

Supplementary Information

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

**SECTION 1 - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency identified?   X   Yes \_\_\_\_\_ No
- Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**FEDERAL AWARDS**

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number	Name of Federal Program
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

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

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Significant Deficiency in Internal Control**

**2012-1**

Criteria or specific requirement

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

Condition

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

Effect

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

Cause

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

Recommendation

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

Views of responsible officials and planned corrective actions

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

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

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

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

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

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

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

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>U.S. Environmental Protection Agency</b>			
Passed Through Kansas State Department of Health and Environment Capitalization Grants for Clean Water State Revolving Funds	66.458	C20 1206 01	<u>\$ 1,200,800</u>

See accompanying notes to schedule of expenditures of federal awards.

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

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**NOTE 1 – BASIS OF PRESENTATION**

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