

**CITY OF MOUND CITY, KANSAS**

Regulatory Basis Financial Statement,  
Independent Auditors' Report, and  
Regulatory-Required Supplementary Information  
For the Year Ended December 31, 2012

**CITY OF MOUND CITY, KANSAS**

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*Diehl  
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**INDEPENDENT AUDITORS' REPORT**

To the Mayor and the City Council  
City of Mound City, Kansas

We have audited the accompanying summary statement of receipts, expenditures, and unencumbered cash balance, regulatory basis, of the City of Mound City, 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.

**Auditor's 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 Mound City, 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 Mound City, Kansas as of December 31, 2012 or changes in financial position or cash flows thereof for the year then ended.

**Unqualified 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 for the City of Mound City, 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 Summary Statement of Receipts, Expenditures, and Unencumbered Cash Balance, Regulatory Basis (basic financial statement) as a whole. The Summary of Expenditures – Actual and Budget, Regulatory Basis and individual fund Schedules of Receipts and Expenditures – Actual and Budget, Regulatory Basis (Schedules 1 and 2 as listed in the table of contents) is presented for analysis and is not a required part of the basic financial statement, however is 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.

*Diehl, Banwart, Bolton, CPAs PA*

DIEHL, BANWART, BOLTON, CPAs PA

April 4, 2013  
Fort Scott, Kansas

**CITY OF MOUND CITY, KANSAS**

Summary Statement of Receipts, Expenditures, and Unencumbered Cash Balance  
Regulatory Basis  
For the Year Ended December 31, 2012

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus		Cash Balance
					Encumbrances and Accounts Payable	Cash Balance	
General Fund	\$54,481.06	\$392,256.18	\$357,809.18	\$88,928.06	-	-	\$88,928.06
Special Revenue Funds:							
Special Streets	2,314.98	17,926.80	-	20,241.78	-	-	20,241.78
Special Parks & Recreation	1,038.56	1,965.25	1,948.11	1,055.70	-	-	1,055.70
COPS Grant	187.34	37,349.30	33,437.11	4,099.53	-	-	4,099.53
Enterprise Funds:							
Water Utility	19,360.93	277,186.39	257,876.76	38,670.56	21,293.63	-	59,964.19
Water Bond and Interest	20,269.11	23,334.00	23,333.75	20,269.36	-	-	20,269.36
Sewer Disposal	28,366.49	130,800.63	115,407.21	43,759.91	3,008.00	-	46,767.91
Sewer Bond and Interest	73,437.25	54,140.00	54,140.00	73,437.25	-	-	73,437.25
<b>Total Primary Government</b>	<b>\$199,455.72</b>	<b>\$934,958.55</b>	<b>\$843,952.12</b>	<b>\$290,462.15</b>	<b>\$24,301.63</b>		<b>\$314,763.78</b>

  

Composition of Cash	
Checking accounts.....	\$246,002.28
Petty Cash.....	500.00
Cash on Hand.....	261.50
Certificates of Deposit.....	68,000.00
<b>Totals.....</b>	<b>\$314,763.78</b>

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

# CITY OF MOUND CITY, KANSAS

## NOTES TO THE FINANCIAL STATEMENT For the Year Ended December 31, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the City of Mound City, Kansas, has been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Kansas Municipal Audit and Accounting Guide (KMAAG), as approved by the director of the Kansas Division of Accounts and Reports, establishes the guidelines for the regulatory basis of accounting in the state of Kansas. The more significant of the City's accounting policies follow.

#### Nature of Organization

The City of Mound City, Kansas is a municipal corporation governed by an elected City Council.

#### Reporting Entity

This financial statement presents the City of Mound City, Kansas (primary government) and its related municipal entities. The City has determined that there are no related municipal entities which should be accounted for in the City's financial statement.

#### Basis of Presentation - Fund Accounting

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, restriction, or limitations.

The following types of funds comprise the financial activities of the City of Mound City, Kansas:

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

Special Purposes Funds – 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.

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 part by fees charged to users of the goods or services (i.e. enterprise and internal service funds, etc.)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Regulatory Basis of Accounting and Departures 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 for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, 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 year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the municipality 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.

As discussed previously, related municipal entities are not included in this financial statement.

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

Budgetary Information

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

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)  
**Budgetary Information** (Continued)

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. As stated at Note 11, General, Special Streets, Sewer Utility, Water Utility, and COPS grant fund budgets were amended in 2012.

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 statements 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 modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, 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 project and trust funds.

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.

**Deposits and Investments**

Deposits and investments include checking accounts, a money market checking account, and certificates of deposit. Kansas statutes permit investment in savings accounts, certificates of deposit, and, in certain cases, obligations of the U.S. Treasury.

**Compensated Absences**

Full-time employees earn and accumulate vacation leave from 12 to 21 days a year based on the number of years of service with the City. Up to 80 hours of vacation may be accumulated and carried over to the next year.

Full-time employees earn and accumulate sick leave from the beginning of employment at the rate of one day per month worked. Sick leave may be accumulated up to 120 hours. Sick pay is lost upon termination of employment.

City employees are paid overtime for up to 5 hours over the 40 hour a week work period, and anything in excess of 5 hours would be in compensatory time. All compensatory time will be taken before vacation time.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)  
**Compensated Absences** (Continued)

The City accrues a liability for compensated absences which meet the following criteria:

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.

In accordance with the above criteria, the City has not accrued a liability for sick and vacation pay, which has been earned but not taken by City employees, since the accrued sick pay is not collectible upon termination and the accrued vacation amount is considered immaterial.

**Pension Plan**

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer statewide 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.

**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 1<sup>st</sup> 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<sup>th</sup> during the year levied with the balance to be paid on or before May 10<sup>th</sup> of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1<sup>st</sup> 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<sup>st</sup>, such taxes are a lien on the property.

2. **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Compliance with Kansas Statutes**

This financial statement is designed to show compliance with the cash basis and budget laws of Kansas. The City was in apparent compliance with the cash basis and budget laws of Kansas.

3. **DEPOSITS AND INVESTMENTS**

The Statutes of the State of Kansas allow Kansas municipalities to invest in savings accounts, certificates of deposit and United States Treasury Obligations. As of and during the year ended December 31, 2012, the City's funds were invested in checking accounts, an interest-bearing money market checking account, and certificates of deposit, which are acceptable investments in accordance with Kansas statutes.

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.

3. **DEPOSITS AND INVESTMENTS** (Continued)

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, but has limited the investments to time deposits at the local bank.

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

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance 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 have any "peak periods" designated. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the City's carrying amount of deposits was \$314,763.78 and the bank balance was \$323,906.17. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$270,475.97 was covered by federal depository insurance, and \$53,430.20 was collateralized with securities totaling \$171,321.48 held by the pledging financial institutions' agents in the City's name.

4. **WATER CONSUMER DEPOSITS**

Water consumers are required to make cash deposits to the City when starting new water service. The deposits are refunded to the consumers when service is terminated or if customers account is in good standing for 12 months. Currently, the City has \$5,953.63 of consumer deposits, which are included with Water Utility Fund cash in the financial statement.

5. **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; employees health and life; and natural disasters. The City manages these risks of loss through various insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

6. **DEFINED BENEFIT PENSION PLAN**

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

6. **DEFINED BENEFIT PENSION PLAN** (Continued)

*Funding Policy.* K.S.A. 74-4919 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 established 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. The employer rate established by statute for the period from January 1 to December 31, 2012 was 8.34%. The City's employer contributions to KPERS for the years ending December 31, 2012, 2011, and 2010 were \$16,685.08, \$14,118.28, and \$12,857.76, respectively, equal to the regulatory required contributions for each year.

7. **INTERFUND TRANSFERS**

Operating transfers were as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Regulatory Authority</u>	<u>Amount</u>
Sewer Utility	Sewer Bond and Interest	KSA 12-825d	\$ 54,140.00
Water Utility	Water Bond and Interest	KSA 12-825d	23,334.00

8. **POST EMPLOYMENT AND TERMINATION BENEFITS**

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of 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.

No termination benefits are provided by the City when employment with the City ends except for accrued compensated absences as discussed in Note 1.

9. **MAJOR SUPPLIER**

During 2012, the City purchased water totaling \$188,183.00 for resale from Public Wholesale Water Supply District #13.

10. LONG TERM OBLIGATIONS

A summary of the City's long-term obligations, changes in the obligations, and current maturities of long-term debt and interest for the next five years and in five year increments through maturity are recorded as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balances Beginning of Year	Additions/ New Debt	Reductions/ Principal Paid	Balances End of Year	Interest Paid
<u>General Obligation Bonds</u>									
Sewer Series 2001	4.75%	12-27-2001	\$75,000	12-27-2041	\$ 67,392.00	\$ -	\$ 1,059.00	\$ 66,333.00	\$ 3,201.12
Sewer Series 2005	4.25%	6-8-2005	1,037,100	6-8-2045	968,000.00	-	13,000.00	955,000.00	41,140.00
Water Series 2009	Variable	6-4-2009	265,000	3-1-2023	235,000.00	-	15,000.00	220,000.00	8,333.75
Total General Obligation Bonds					<u>1,270,392.00</u>	<u>-</u>	<u>29,059.00</u>	<u>1,241,333.00</u>	<u>52,674.87</u>
<u>Capital Leases</u>									
New City Hall	4.50%	9-1-2008	180,000	9-1-2023	149,675.27	-	9,939.58	139,735.69	6,584.42
Nickel Road Building	5.50%	4-18-2006	105,000	1-1-2013	33,833.74	-	16,649.70	17,184.04	1,826.56
Mower	5.00%	4-2-2009	9,100	4-2-2014	4,321.28	-	1,843.37	2,477.91	217.39
Kubota Tractor	4.50%	5-5-2010	18,300	1-31-2015	14,954.90	-	3,764.69	11,190.21	403.85
2004 Ford Explorer	4.50%	6-10-2010	8,750	6-23-2013	4,256.91	-	2,989.52	1,267.39	133.96
Total Capital Leases					<u>207,042.10</u>	<u>-</u>	<u>35,186.86</u>	<u>171,855.24</u>	<u>9,166.18</u>
Total Long Term Obligations					<u>\$ 1,477,434.10</u>	<u>\$ -</u>	<u>\$ 64,245.86</u>	<u>\$ 1,413,188.24</u>	<u>\$ 61,841.05</u>

10. **LONG TERM OBLIGATIONS** (Continued)

Principal	2013	2014	2015	2016	2017	2018 to 2022	2023 to 2027	2028 to 2032	2033 to 2037	2038 to 2042	2043 to 2045	Totals
<b>General Obligation Bonds</b>												
Series 2001	\$ 1,109	\$ 1,162	\$ 1,217	\$ 1,275	\$ 1,335	\$ 7,690	\$ 9,698	\$ 12,230	\$ 15,424	\$ 15,193	\$ -	\$ 66,333
Series 2005	14,000	14,000	15,000	15,000	16,000	92,000	115,000	140,000	172,000	212,000	150,000	955,000
Series 2009	15,000	20,000	20,000	20,000	20,000	115,000	10,000	-	-	-	-	220,000
Totals	30,109	35,162	36,217	36,275	37,335	214,690	134,698	152,230	187,424	227,193	150,000	1,241,333
<b>Capital Leases</b>												
New City Hall	10,448	10,928	11,430	11,955	12,504	71,683	10,788	-	-	-	-	139,736
Nickel Building	17,184	-	-	-	-	-	-	-	-	-	-	17,184
Mower	1,973	505	-	-	-	-	-	-	-	-	-	2,478
Kubota Tractor	3,653	3,817	3,720	-	-	-	-	-	-	-	-	11,190
2004 Ford Explorer	1,267	-	-	-	-	-	-	-	-	-	-	1,267
Totals	34,525	15,250	15,150	11,955	12,504	71,683	10,788	-	-	-	-	171,855
<b>Total Principal</b>	<b>\$ 64,634</b>	<b>\$ 50,412</b>	<b>\$ 51,367</b>	<b>\$ 48,230</b>	<b>\$ 49,839</b>	<b>\$ 286,373</b>	<b>\$ 145,486</b>	<b>\$ 152,230</b>	<b>\$ 187,424</b>	<b>\$ 227,193</b>	<b>\$ 150,000</b>	<b>\$ 1,413,188</b>
<b>Interest</b>												
<b>General Obligation Bonds</b>												
Series 2001	\$ 3,151	\$ 3,098	\$ 3,043	\$ 2,985	\$ 2,925	\$ 13,609	\$ 11,601	\$ 9,068	\$ 5,874	\$ 1,846	\$ -	\$ 57,200
Series 2005	40,588	39,993	39,398	38,760	38,123	179,689	158,312	131,749	99,407	59,628	12,920	838,567
Series 2009	7,978	7,515	6,940	6,315	5,640	15,325	220	-	-	-	-	49,933
Totals	51,717	50,606	49,381	48,060	46,688	208,623	170,133	140,817	105,281	61,474	12,920	945,700
<b>Capital Leases</b>												
New City Hall	6,076	5,596	5,094	4,569	4,020	10,937	184	-	-	-	-	36,476
Nickel Building	963	-	-	-	-	-	-	-	-	-	-	963
Mower	88	7	-	-	-	-	-	-	-	-	-	95
Kubota Tractor	516	351	179	-	-	-	-	-	-	-	-	1,046
2004 Ford Explorer	15	-	-	-	-	-	-	-	-	-	-	15
Totals	7,658	5,954	5,273	4,569	4,020	10,937	184	-	-	-	-	38,595
<b>Total Interest</b>	<b>\$ 59,375</b>	<b>\$ 56,560</b>	<b>\$ 54,654</b>	<b>\$ 52,629</b>	<b>\$ 50,708</b>	<b>\$ 219,560</b>	<b>\$ 170,317</b>	<b>\$ 140,817</b>	<b>\$ 105,281</b>	<b>\$ 61,474</b>	<b>\$ 12,920</b>	<b>\$ 984,295</b>

11. **BUDGET AMENDMENTS**

The annual budget for the following funds was amended during the year as follows:

<u>General Fund</u>	<u>Original Budget</u>	<u>Amended Budget</u>
Cash Receipts		
Taxes	\$ 204,157	\$ 213,015
Intergovernmental	148,842	165,842
Licenses and Permits	2,500	2,500
Charges for Services	4,200	200
Fines and Court Costs	4,000	-
Reimbursed Expenses	23,000	23,000
Other Receipts	<u>6,000</u>	<u>10,000</u>
Total Receipts	392,699	414,557
Unencumbered Cash, January 1	<u>25,028</u>	<u>25,720</u>
Resources Available	<u>\$ 417,727</u>	<u>\$ 440,277</u>
Expenditures		
General Government	\$ 125,500	\$ 129,476
Street Department	56,500	58,000
Fire Department	3,700	2,000
Police Department	64,500	64,377
Park and Recreation	65,500	66,770
Planning and Zoning	650	500
Employee Benefits	75,500	78,500
Debt Service on Capital Leases	<u>25,877</u>	<u>25,877</u>
Total Expenditures	<u>\$ 417,727</u>	<u>\$ 425,500</u>
 <u>Special Highway Fund</u>		
Cash Receipts		
Intergovernmental	<u>\$ 21,650</u>	<u>\$ 17,926</u>
Total Receipts	21,650	17,926
Unencumbered Cash, January 1	<u>21,414</u>	<u>2,315</u>
Resources Available	<u>\$ 43,064</u>	<u>\$ 20,241</u>
Expenditures		
Street Department	<u>\$ 21,000</u>	<u>\$ 17,926</u>
Total Expenditures	<u>\$ 21,000</u>	<u>\$ 17,926</u>

11. **BUDGET AMENDMENTS** (Continued)

<u>Sewer Utility</u>	<u>Original Budget</u>	<u>Amended Budget</u>
Cash Receipts		
Sewer Service Charges	\$ 117,000	\$ 124,000
Total Receipts	117,000	124,000
Unencumbered Cash, January 1	33,010	28,366
Resources Available	<u>\$ 150,010</u>	<u>\$ 152,366</u>
Expenditures		
Operating Expenses	\$ 42,500	\$ 54,000
Transfers Out	54,140	54,140
Debt Service	22,736	22,736
Total Expenditures	<u>\$ 119,376</u>	<u>\$ 130,876</u>
<u>Water Utility</u>		
Cash Receipts		
Water Service Charges	\$ 239,000	\$ 256,000
Other Receipts	5,500	4,700
Total Receipts	244,500	260,700
Unencumbered Cash, January 1	1,745	7,399
Resources Available	<u>\$ 246,245</u>	<u>\$ 268,099</u>
Expenditures		
Operating Expenses	\$ 221,600	\$ 240,200
Transfers Out	23,334	23,334
Total Expenditures	<u>\$ 244,934</u>	<u>\$ 263,534</u>
<u>COPS Grant</u>		
Cash Receipts		
Grant	\$ 36,000	\$ 41,000
Total Receipts	36,000	41,000
Unencumbered Cash, January 1	24,286	187
Resources Available	<u>\$ 60,286</u>	<u>\$ 41,187</u>
Expenditures		
Police Salries	\$ 36,000	\$ 41,187
Total Expenditures	<u>\$ 36,000</u>	<u>\$ 41,187</u>

12. **SUBSEQUENT EVENTS**

Management has evaluated events and transactions occurring subsequent to December 31, 2012 through the date of the issuance of the financial statement as shown in the Independent Auditors' Report on page two of this financial statement. During this period, there were no subsequent events requiring recognition in the financial statement or disclosure in the notes to the financial statement, except that on January 25, 2013, the City received a check from the City of Greenville, Illinois in the amount of \$22,354.49 in connection with a class action settlement with Syngenta Crop Protection to help reimburse the costs of removing Syngenta's weed killer from its community water system.

**REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION**

CITY OF MOUND CITY, 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		Variance - Over (Under)
				Charged to Current Year Budget	Current Year Budget	
General Fund	\$425,500.00	-	\$425,500.00	\$357,809.18		(\$67,690.82)
Special Revenue Funds:						
Special Streets	17,926.00	-	17,926.00	-		(17,926.00)
Special Parks & Recreation	2,800.00	-	2,800.00	1,948.11		(851.89)
COPS Grant	41,187.00	-	41,187.00	33,437.11		(7,749.89)
Enterprise Funds:						
Water Utility	263,534.00	-	263,534.00	257,876.76		(5,657.24)
Water Bond and Interest	23,334.00	-	23,334.00	23,333.75		(0.25)
Sewer Disposal	130,876.00	-	130,876.00	115,407.21		(15,468.79)
Sewer Bond and Interest	54,140.00	-	54,140.00	54,140.00		-
<b>Total Primary Government</b>	<b>\$959,297.00</b>	<b>-</b>	<b>\$959,297.00</b>	<b>\$843,952.12</b>		

**CITY OF MOUND CITY, KANSAS**  
**GENERAL FUND**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts			
Taxes			
Ad valorem property tax	\$178,887.90	\$186,016.00	(\$7,128.10)
Delinquent	4,578.54	3,000.00	1,578.54
Motor vehicle	24,356.30	23,999.00	357.30
Intergovernmental			
Sales tax	135,479.30	135,000.00	479.30
Utility franchise taxes	19,145.50	18,000.00	1,145.50
Local alcohol liquor tax	1,965.25	2,710.00	(744.75)
County park appropriation	1,200.00	1,200.00	-
County waste appropriation	3,900.00	3,900.00	-
KDWP grant	4,532.00	4,532.00	-
STEP grant	-	500.00	(500.00)
Licenses and Permits			
Licenses and permits	1,520.00	2,500.00	(980.00)
Zoning fees	-	-	-
Charges for Services			
Swimming pool receipts	227.09	-	227.09
Streets			
Streets Income	330.37	200.00	130.37
Fines and Forfeitures			
Fines	3,916.12	4,000.00	(83.88)
Other Receipts			
Interest	749.19	1,000.00	(250.81)
Other	7,053.29	5,000.00	2,053.29
Reimbursed expenses	4,415.33	3,000.00	1,415.33
Health Insurance Payroll Reimburse	-	20,000.00	(20,000.00)
<b>Total Cash Receipts</b>	<b>392,256.18</b>	<b>\$414,557.00</b>	<b>(\$22,300.82)</b>

**CITY OF MOUND CITY, KANSAS**  
**GENERAL FUND**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Expenditures			
General Government			
Personal services	\$84,102.01	\$86,500.00	(\$2,397.99)
Contractual services	23,791.23	17,000.00	6,791.23
Commodities	10,290.99	16,000.00	(5,709.01)
Capital outlay	-	9,976.00	(9,976.00)
Street Department			
Personal services	16,905.94	30,000.00	(13,094.06)
Contractual services	-	3,500.00	(3,500.00)
Commodities	14,903.20	13,000.00	1,903.20
Capital outlay	3,239.37	11,500.00	(8,260.63)
Fire Department			
Personal services	223.30	1,000.00	(776.70)
Commodities	674.80	1,000.00	(325.20)
Police Department			
Personal services	34,550.17	50,313.00	(15,762.83)
Contractual services	499.00	3,000.00	(2,501.00)
Commodities	17,423.80	9,064.00	8,359.80
Capital outlay	-	2,000.00	(2,000.00)
Park and Recreation			
Personal services	10,612.90	30,000.00	(19,387.10)
Contractual services	8,337.00	4,000.00	4,337.00
Commodities	28,108.72	28,500.00	(391.28)
Capital outlay	14,734.00	4,270.00	10,464.00
Planning and Zoning			
Personal services	-	200.00	(200.00)
Commodities	-	300.00	(300.00)
Employee Benefits			
FICA	14,269.94	15,000.00	(730.06)
Unemployment	5,118.18	13,000.00	(7,881.82)
State retirement fund	15,634.85	14,500.00	1,134.85
Worker's compensation	4,797.00	5,000.00	(203.00)
Health insurance	23,716.00	31,000.00	(7,284.00)

**CITY OF MOUND CITY, KANSAS**  
**GENERAL FUND**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Expenditures (Continued)			
Debt Service on Capital Leases	\$25,876.78	<u>\$25,877.00</u>	(\$0.22)
Subtotal		425,500.00	
Adjustment for Qualifying Budget Credits			
Grants	-	-	-
Total Expenditures	<u>357,809.18</u>	<u>\$425,500.00</u>	<u>(\$67,690.82)</u>
Receipts Over (Under) Expenditures	34,447.00		
Unencumbered Cash, Beginning	<u>54,481.06</u>		
Unencumbered Cash, Ending	<u><u>\$88,928.06</u></u>		

**CITY OF MOUND CITY, KANSAS**  
**SPECIAL STREETS FUND**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts			
Intergovernmental			
State gasoline tax	\$17,926.80	\$17,926.00	\$0.80
<b>Total Cash Receipts</b>	<u>17,926.80</u>	<u>\$17,926.00</u>	<u>\$0.80</u>
Expenditures			
Public Streets			
Personal services	-	\$1,000.00	(\$1,000.00)
Contractual services	-	1,500.00	(1,500.00)
Commodities	-	11,500.00	(11,500.00)
Capital outlay	-	3,926.00	(3,926.00)
<b>Total Expenditures</b>	<u>-</u>	<u>\$17,926.00</u>	<u>(\$17,926.00)</u>
Receipts Over (Under) Expenditures	17,926.80		
Unencumbered Cash, Beginning	<u>2,314.98</u>		
Unencumbered Cash, Ending	<u>\$20,241.78</u>		

**CITY OF MOUND CITY, KANSAS**  
**SPECIAL PARKS AND RECREATION FUND**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts			
Taxes			
Local alcohol liquor tax	\$1,965.25	\$2,710.00	(\$744.75)
<b>Total Cash Receipts</b>	<u>1,965.25</u>	<u>\$2,710.00</u>	<u>(\$744.75)</u>
Expenditures			
General Government			
Contractual	-	\$1,400.00	(\$1,400.00)
Commodities	1,948.11	1,400.00	548.11
Debt Service on Capital Leases	-	-	-
<b>Total Expenditures</b>	<u>1,948.11</u>	<u>\$2,800.00</u>	<u>(\$851.89)</u>
Receipts Over (Under) Expenditures	17.14		
Unencumbered Cash, Beginning	<u>1,038.56</u>		
Unencumbered Cash, Ending	<u>\$1,055.70</u>		

**CITY OF MOUND CITY, KANSAS**  
**COPS GRANT FUND**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts			
Intergovernmental			
COPS Grant	\$37,349.30	\$41,000.00	(\$3,650.70)
Other Receipts			
Miscellaneous	-	-	-
<b>Total Cash Receipts</b>	<u>37,349.30</u>	<u>\$41,000.00</u>	<u>(\$3,650.70)</u>
Expenditures			
Police Department			
Personal services	33,437.11	41,187.00	(\$7,749.89)
Subtotal Certified Budget		<u>41,187.00</u>	
Adjustments for Qualifying Budget Credits			
Grants in excess of budget	-	-	-
<b>Total Expenditures</b>	<u>33,437.11</u>	<u>\$41,187.00</u>	<u>(\$7,749.89)</u>
Receipts Over (Under) Expenditures	3,912.19		
Unencumbered Cash, Beginning	<u>187.34</u>		
Unencumbered Cash, Ending	<u>\$4,099.53</u>		

**CITY OF MOUND CITY, KANSAS**  
**WATER UTILITY FUND**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts			
Operating Revenues			
Water sales	\$250,459.23	\$256,000.00	(\$5,540.77)
Water coin sales	15,896.57	-	15,896.57
Wholesale water sales	4,380.96	-	4,380.96
Nonoperating Revenues			
Consumer deposits	3,375.00	3,200.00	175.00
Other miscellaneous	3,074.63	1,500.00	1,574.63
<b>Total Cash Receipts</b>	<u>277,186.39</u>	<u>\$260,700.00</u>	<u>\$16,486.39</u>
Expenditures			
Operating Expenditures			
Personal services	24,940.35	\$26,000.00	(\$1,059.65)
Contractual services	48.00	2,000.00	(1,952.00)
Commodities	202,410.58	202,000.00	410.58
Capital outlay	-	3,000.00	(3,000.00)
Nonoperating Expenditures			
Tax and water protection fees	3,768.83	4,200.00	(431.17)
Consumer deposit refunds	3,375.00	3,000.00	375.00
Operating Transfers to			
Water Bond and Interest	23,334.00	23,334.00	-
<b>Total Expenditures</b>	<u>257,876.76</u>	<u>\$263,534.00</u>	<u>(\$5,657.24)</u>
Receipts Over (Under) Expenditures	19,309.63		
Unencumbered Cash, Beginning	<u>19,360.93</u>		
Unencumbered Cash, Ending	<u>\$38,670.56</u>		

**CITY OF MOUND CITY, KANSAS**  
**WATER BOND AND INTEREST FUND**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts			
Operating Transfers from Water Utility Fund	\$23,334.00	\$23,334.00	-
Total Cash Receipts	<u>23,334.00</u>	<u>\$23,334.00</u>	<u>-</u>
Expenditures			
Debt Service on General Obligation Bonds			
Principal	15,000.00	\$15,000.00	-
Interest	8,333.75	8,334.00	(0.25)
Total Expenditures	<u>23,333.75</u>	<u>\$23,334.00</u>	<u>(\$0.25)</u>
Receipts Over (Under) Expenditures	0.25		
Unencumbered Cash, Beginning	<u>20,269.11</u>		
Unencumbered Cash, Ending	<u>\$20,269.36</u>		

**CITY OF MOUND CITY, KANSAS**  
**SEWER DISPOSAL FUND**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts			
Operating Revenues			
Sewer service charges	\$99,041.92	\$124,000.00	(\$24,958.08)
Sewer dumps	31,252.50	-	31,252.50
Other Receipts			
Miscellaneous	506.21	-	506.21
<b>Total Cash Receipts</b>	<b>130,800.63</b>	<b>\$124,000.00</b>	<b>\$6,800.63</b>
Expenditures			
Production Costs			
Personal services	19,996.80	\$23,000.00	(\$3,003.20)
Contractual services	4,579.15	8,000.00	(3,420.85)
Commodities	10,946.88	15,000.00	(4,053.12)
Capital outlay	3,008.00	8,000.00	(4,992.00)
Operating Transfers to Other Funds			
Sewer Bond and Interest	54,140.00	54,140.00	-
Debt Service on Capital Leases	18,476.26	18,476.00	0.26
Debt Service on General Obligation Bonds			
Principal	1,059.00	1,059.00	-
Interest	3,201.12	3,201.00	0.12
<b>Total Expenditures</b>	<b>115,407.21</b>	<b>\$130,876.00</b>	<b>(\$15,468.79)</b>
Receipts Over (Under) Expenditures	15,393.42		
Unencumbered Cash, Beginning	28,366.49		
Unencumbered Cash, Ending	\$43,759.91		

**CITY OF MOUND CITY, KANSAS**  
**SEWER BOND AND INTEREST FUND**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts			
Operating Transfers from Other Funds			
Sewer Utility	\$54,140.00	\$54,140.00	-
Total Cash Receipts	<u>54,140.00</u>	<u>\$54,140.00</u>	<u>-</u>
Expenditures			
Debt Service on General Obligation Bonds			
Principal	13,000.00	\$13,000.00	-
Interest	41,140.00	41,140.00	-
Total Expenditures	<u>54,140.00</u>	<u>\$54,140.00</u>	<u>-</u>
Receipts Over (Under) Expenditures	-		
Unencumbered Cash, Beginning	<u>73,437.25</u>		
Unencumbered Cash, Ending	<u>\$73,437.25</u>		