

**CITY OF PALCO, KANSAS**

Palco, Kansas

Financial Statement with Independent Auditor's Report  
For the Year Ended December 31, 2012

**MAPES & MILLER LLP**

Certified Public Accountants

Norton, Kansas

**CITY OF PALCO, KANSAS**  
Financial Statement with Independent Auditor's Report  
For the Year Ended December 31, 2012

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report	1
 <b><u>FINANCIAL SECTION</u></b>	
 STATEMENT 1	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	3
Composition of Cash	4
 Notes to the Financial Statement	 5
 <b><u>REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
 SCHEDULE 1	
Summary of Expenditures – Actual and Budget	14
 SCHEDULE 2	
Schedule of Cash Receipts and Expenditures - Actual and Budget	
General Fund	15
Library	16
Employee Benefits	17
Special Highway	18
Bond and Interest	19
Ambulance	20
Water	21
Sewer	22
Solid Waste	23
Schedule of Cash Receipts and Expenditures – Actual	
Water Reserve	24
Expendable Trust	24
McKenna Fund	24
Special Equipment	25
Customer Deposits	25



# Mapes & Miller LLP

Certified Public Accountants

418 E. Holme, Norton, KS 67654-1412  
Phone: 785-877-5833 Email: mmcpas@ruraltel.net

Members of the American Institute of Certified Public Accountants  
and the Kansas Society of Certified Public Accountants

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

JOHN D. MAPES, CPA, CHTD  
DENIS W. MILLER, CPA, PA  
THOMAS B. CARPENTER, CPA, PA  
DON E. TILTON, CPA, PA  
BRIAN S. THOMPSON, CPA, PA  
REBECCA A. LIX, CPA, PA  
STEPHANIE M. HEIER, CPA, PA

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Palco  
Palco, Kansas 67657

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

### Management's Responsibility for the Financial Statement

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

### 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 Palco, 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 the 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 Palco, Kansas, as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

#### Opinion on Regulatory Basis of Accounting

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

#### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis cash receipts and expenditures-actual (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

## Mapes & Miller LLP

Certified Public Accountants

Norton, Kansas  
December 20, 2013

**CITY OF PALCO, KANSAS**

STATEMENT 1

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

Page 1

Funds	Beginning	Prior Year	Receipts	Expenditures	Ending	Add	Ending
	Unencumbered	Cancelled			Unencumbered	Encumbrances	
	Cash Balance	Encumbrances			Cash Balance	and Accounts Payable	Cash Balance
Governmental Fund Types:							
General Funds							
General	\$ 28,051	0	78,523	77,677	28,897	3,199	32,096
Special Purpose Funds							
Library	405	0	4,698	4,370	733	0	733
Employee Benefits	314	0	23,934	23,686	562	44	606
Special Highway	5,921	0	7,238	3,033	10,126	313	10,439
Expendable Trust	53,262	0	118,612	78,528	93,346	124	93,470
McKenna Fund	267,999	0	1,588,664	40,039	1,816,624	0	1,816,624
Special Equipment	6,627	0	3,605	3,221	7,011	0	7,011
Bond and Interest Funds							
Bond and Interest	1,085	0	20,621	21,564	142	157	299
Business Funds							
Ambulance	10,212	0	12,000	13,398	8,814	1	8,815
Water	19,026	0	40,645	43,902	15,769	856	16,625
Sewer	7,788	0	34,070	39,359	2,499	449	2,948
Solid Waste	2,506	0	40,355	39,392	3,469	1,018	4,487
Customer Deposits	12,918	0	1,573	372	14,119	0	14,119
Water Reserve	7,933	0	4,000	0	11,933	0	11,933
<b>Total Reporting Entity</b>	<b>\$ 424,047</b>	<b>0</b>	<b>1,978,538</b>	<b>388,541</b>	<b>2,014,044</b>	<b>6,161</b>	<b>2,020,205</b>

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

**CITY OF PALCO, KANSAS**  
Composition of Cash  
Regulatory Basis  
For the Year Ended December 31, 2012

STATEMENT 1  
Page 2

Cash on Hand	\$	75
Midwest Community Bank - Palco, Kansas		
NOW Accounts		184,757
Checking Accounts		911,179
Certificates of Deposit		<u>924,194</u>
Total Cash		<u>2,020,130</u>
Total Reporting Entity	\$	<u>2,020,205</u>

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

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

1. **Summary of Significant Accounting Policies**

Financial Reporting Entity

The City of Palco, Kansas, operates as a third class city in accordance with the laws of the State of Kansas. The City operates under a mayor-council form of government and provides the following services: public safety (police and fire protection), highways and streets, light, water, sewer, culture and recreation, planning and zoning, public improvements and general administrative services. The regulatory financial statement presents the City of Palco (the municipality). The following related municipal entity is not included in the financial statement:

Palco Public Library. The Palco Public Library is considered a component unit of the City due to the City's ability to control the appointment of its governing board and the Library's fiscal dependency on appropriations from the City of Palco. The unaudited financial statements for the Palco Public Library can be obtained from Ashley Kuhn, Board Treasurer, at 309 Main St, Palco, Kansas.

Regulatory Basis Fund Types

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

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

Special Purpose Fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than capital projects 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 – used to account for funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does

not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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

### 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 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no amendments to the budget for the year ended December 31, 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 schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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

A legal operating budget is not required for Customer Deposits, Water Reserve and the following special purpose funds: Expendable Trust, McKenna Fund and Special Equipment.

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

### Reimbursements

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

## 2. Deposits and Investments

At December 31, 2012, the City had no investments except for certificates of deposit which are considered to be a component of deposits.

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 municipality is located and the banks provide an acceptable rate of return on the funds. In addition, K.S.A 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

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

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

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 has not designated any "peak periods" with eligible depositories. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the City's carrying amount of deposits was \$2,020,131 and the bank balance was \$2,023,644. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance and \$1,523,644 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.

3. **Defined Benefit Pension Plan**

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

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 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.

4. **Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. Each retiree would pay the full amount of the applicable premium, conceptually; the City would be subsidizing the retirees because each participant would be charged a level premium regardless of age. As of December 31, 2012 the City had no retirees participating in the group health insurance plan.

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.

**Compensated Absences**

Vacation Leave. Full-time employees and the city clerk are entitled to paid vacation leave time according to the following schedule; provided, no paid vacation leave time may be taken during the first six months of employment. Vacation leave time does not accumulate and must be used by December 31. Upon termination, an employee shall be compensated for all earned but unused vacation leave at their final rate of pay.

Years of Continuous Employment	<u>0 to 5</u>	<u>5 to 10</u>	<u>Over 10</u>
Work Days	10	12	15

Part-time employees who work at least 30 hours or more per week shall earn vacation credit at the rate of 1/2 day for each month of employment. Seasonal and temporary employees shall not earn vacation leave.

#### Sick Leave

Full-time employees shall earn one day of sick leave for each full month of service. Part-time employees who are employed to work not less than 20 hours per week shall receive 1/2 day of sick leave for each month of employment. Employees may accumulate up to 720 hours of sick leave. Upon termination of employment with the City, an employee shall not be paid for any unused sick leave.

#### 5. Regulatory Compliance

Bonds and Warrants. Per K.S.A 10-130, bond and interest payments shall be remitted to the state fiscal agent at least 20 days before the day of maturity. It was noted by the Kansas State Treasurer's Office that the City's remittance of funds did not meet these requirements. This appears to be a violation of this statute.

#### 6. Interfund Transactions

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
Solid Waste	Bond and Interest	K.S.A. 12-825d	\$ 1,500
Water	Water Reserve	K.S.A. 12-825d	4,000
Expendable Trust	Bond and Interest	Council Approved	6,567
Expendable Trust	Special Equipment Fund	Council Approved	3,150

#### 7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain worker's compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the State to participate in The Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for 149 participating members.

The City pays an annual premium to KMIT for its worker's compensation insurance coverage. The agreement to participate provides that KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT's management.

The City continues to carry commercial insurance for all other risks of loss, including property, general liability, inland marine, public officials liability and automobile. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**8. Claims and Judgments**

The City participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of the date of this report, grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

During the ordinary course of its operations the City is a party to various claims, legal actions, and complaints. It is the opinion of the City's management and legal counsel that these matters are not anticipated to have a material financial impact on the City.

9. General Long-term Debt

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

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds:									
Waterworks Bond	5.50%	05/24/00	100,000	09/01/15	40,000	0	10,000	30,000	2,200
Streets/Building/Truck Bond	4.50%	07/29/03	99,000	08/01/18	56,000	0	7,000	49,000	2,364
Total General Obligation Bonds					96,000	0	17,000	79,000	4,564
Kansas Department of Health and Environment Loan									
	2.86%	05/02/03	224,307	09/01/20	146,789	0	9,469	137,320	4,131
					146,789	0	9,469	137,320	4,131
Total Contractual Indebtedness					<u>242,789</u>	<u>0</u>	<u>26,469</u>	<u>216,320</u>	<u>8,695</u>

9. Long-term Debt (continued)

Current maturities of long-term debt for the City of Palco, Kansas through maturity are as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018-2022</u>	<u>2023-2027</u>	<u>Total</u>
<b>PRINCIPAL</b>								
General Obligation Bonds:								
Waterworks Bond	10,000	10,000	10,000	0	0	0	0	30,000
Streets/Building/Truck Bond	<u>7,000</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>9,000</u>	<u>9,000</u>	<u>0</u>	<u>49,000</u>
Total General Obligation Bonds	<u>17,000</u>	<u>18,000</u>	<u>18,000</u>	<u>8,000</u>	<u>9,000</u>	<u>9,000</u>	<u>0</u>	<u>79,000</u>
Kansas Department of Health and Environment Loan	<u>9,742</u>	<u>10,022</u>	<u>10,311</u>	<u>10,608</u>	<u>10,914</u>	<u>59,468</u>	<u>26,255</u>	<u>137,320</u>
<b>TOTAL PRINCIPAL</b>	<u>26,742</u>	<u>28,022</u>	<u>28,311</u>	<u>18,608</u>	<u>19,914</u>	<u>68,468</u>	<u>26,255</u>	<u>216,320</u>
<b>INTEREST</b>								
General Obligation Bonds:								
Waterworks Bond	1,650	1,100	550	0	0	0	0	3,300
Streets/Building/Truck Bond	<u>1,102</u>	<u>1,890</u>	<u>1,530</u>	<u>1,170</u>	<u>810</u>	<u>425</u>	<u>0</u>	<u>6,927</u>
Total General Obligation Bonds	<u>2,752</u>	<u>2,990</u>	<u>2,080</u>	<u>1,170</u>	<u>810</u>	<u>425</u>	<u>0</u>	<u>10,227</u>
Kansas Department of Health and Environment Loan	<u>3,858</u>	<u>3,578</u>	<u>3,289</u>	<u>2,992</u>	<u>2,686</u>	<u>8,211</u>	<u>945</u>	<u>25,559</u>
<b>TOTAL INTEREST</b>	<u>6,610</u>	<u>6,568</u>	<u>5,369</u>	<u>4,162</u>	<u>3,496</u>	<u>8,636</u>	<u>945</u>	<u>35,786</u>
<b>TOTAL PRINCIPAL AND INTEREST</b>	<u>33,352</u>	<u>34,590</u>	<u>33,680</u>	<u>22,770</u>	<u>23,410</u>	<u>77,104</u>	<u>27,200</u>	<u>252,106</u>

CITY OF PALCO, KANSAS  
REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2012

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

SCHEDULE 1

Description	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Types:					
General Funds					
General	\$ 91,184	0	91,184	77,677	(13,507)
Special Purpose Funds					
Library	4,521	0	4,521	4,370	(151)
Employee Benefits	25,893	0	25,893	23,686	(2,207)
Special Highway	8,058	0	8,058	3,033	(5,025)
Bond and Interest Funds					
Bond and Interest	22,820	0	22,820	21,564	(1,256)
Business Funds					
Ambulance	23,815	0	23,815	13,398	(10,417)
Water	70,292	0	70,292	43,902	(26,390)
Sewer	44,805	0	44,805	39,359	(5,446)
Solid Waste	49,478	0	49,478	39,392	(10,086)

CITY OF PALCO, KANSAS

GENERAL FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
For the Year Ended December 31, 2012

Cash Receipts:	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Taxes:			
Ad Valorem Property	\$ 53,014	53,144	(130)
Delinquent	2,138	0	2,138
Motor Vehicle	10,549	10,024	525
Recreational Vehicle	180	179	1
16/20M Vehicle Tax	182	175	7
Licenses, Fees, Fines and Permits:			
Franchise Fees	10,670	13,000	(2,330)
Licenses, Fees and Permits	604	1,000	(396)
Fines and Penalties	340	100	240
Interest on Idle Funds	175	1,660	(1,485)
Miscellaneous	671	0	671
Total Cash Receipts	<u>78,523</u>	<u>79,282</u>	<u>(759)</u>
Expenditures:			
General Government	28,532	30,000	(1,468)
Police	60	1,425	(1,365)
Shop	1,567	3,189	(1,622)
Park	2,010	2,000	10
Fire Department	6,107	6,000	107
Street Lights	8,091	6,500	1,591
Building Repair	1,031	1,000	31
Equipment Repair	3,414	3,000	414
Legal Fees	2,200	2,200	0
Street Maintenance	13,583	20,000	(6,417)
Insurance	4,800	4,800	0
Equipment Reserve	4,555	5,957	(1,402)
Public Transportation	1,727	1,000	727
Neighborhood Revitalization	0	2,113	(2,113)
Transfer to Employee Benefits	0	2,000	(2,000)
Total Expenditures	<u>77,677</u>	<u>91,184</u>	<u>(13,507)</u>
Cash Receipts over (under) Expenditures	846		
Unencumbered Cash, Beginning	<u>28,051</u>		
Unencumbered Cash, Ending	\$ <u>28,897</u>		

CITY OF PALCO, KANSAS

LIBRARY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 3,787	3,796	(9)
Delinquent	150	0	150
Motor Vehicle	737	701	36
Recreational Vehicle	12	12	0
16/20M Vehicle Tax	<u>12</u>	<u>12</u>	<u>0</u>
Total Cash Receipts	<u>4,698</u>	<u>4,521</u>	<u>177</u>
Expenditures:			
Appropriations	4,370	4,370	0
Neighborhood Revitaliation	<u>0</u>	<u>151</u>	<u>(151)</u>
Total Expenditures	<u>4,370</u>	<u>4,521</u>	<u>(151)</u>
Cash Receipts over (under) Expenditures	328		
Unencumbered Cash, Beginning	<u>405</u>		
Unencumbered Cash, Ending	<u>\$ 733</u>		

**CITY OF PALCO, KANSAS  
EMPLOYEE BENEFITS FUND**

Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 19,921	19,965	(44)
Delinquent	666	0	666
Motor Vehicle	3,204	3,006	198
Recreational Vehicle	54	54	0
16/20M Vehicle Tax	88	53	35
Transfer from General Fund	0	2,000	(2,000)
Miscellaneous	<u>1</u>	<u>0</u>	<u>1</u>
Total Cash Receipts	<u>23,934</u>	<u>25,078</u>	<u>(1,144)</u>
Expenditures:			
Unemployment Insurance	87	1,200	(1,113)
Social Security/Medicare	6,379	6,500	(121)
KPERs	5,379	4,900	479
Medical Insurance	8,423	9,500	(1,077)
Worker's Compensation	3,418	3,000	418
Neighborhood Revitalization	<u>0</u>	<u>793</u>	<u>(793)</u>
Total Expenditures	<u>23,686</u>	<u>25,893</u>	<u>(2,207)</u>
Cash Receipts over (under) Expenditures	248		
Unencumbered Cash, Beginning	<u>314</u>		
Unencumbered Cash, Ending	\$ <u>562</u>		

CITY OF PALCO, KANSAS

SPECIAL HIGHWAY FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Intergovernmental			
State of Kansas	\$ 7,163	5,920	1,243
Miscellaneous	<u>75</u>	<u>0</u>	<u>75</u>
Total Cash Receipts	<u>7,238</u>	<u>5,920</u>	<u>1,318</u>
Expenditures:			
Contractual Services	980	3,058	(2,078)
Commodities	<u>2,053</u>	<u>5,000</u>	<u>(2,947)</u>
Total Expenditures	<u>3,033</u>	<u>8,058</u>	<u>(5,025)</u>
Cash Receipts over (under) Expenditures	4,205		
Unencumbered Cash, Beginning	<u>5,921</u>		
Unencumbered Cash, Ending	\$ <u>10,126</u>		

CITY OF PALCO, KANSAS

BOND AND INTEREST FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 10,044	10,069	(25)
Delinquent	402	0	402
Motor Vehicle	2,071	2,041	30
Recreational Vehicle	37	36	1
16/20M Vehicle Tax	0	36	(36)
Transfer from Expendible Trust	6,567	0	6,567
Transfer from Solid Waste	<u>1,500</u>	<u>8,800</u>	<u>(7,300)</u>
Total Cash Receipts	<u>20,621</u>	<u>20,982</u>	<u>(361)</u>
Expenditures:			
Principal	17,000	17,000	0
Interest	4,564	4,720	(156)
Cash-Basis Reserve	0	700	(700)
Neighborhood Revitalization	<u>0</u>	<u>400</u>	<u>(400)</u>
Total Expenditures	<u>21,564</u>	<u>22,820</u>	<u>(1,256)</u>
Cash Receipts over (under) Expenditures	(943)		
Unencumbered Cash, Beginning	<u>1,085</u>		
Unencumbered Cash, Ending	\$ <u>142</u>		

CITY OF PALCO, KANSAS

AMBULANCE FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 0	1,000	(1,000)
County Subsidy	<u>12,000</u>	<u>13,000</u>	<u>(1,000)</u>
Total Cash Receipts	<u>12,000</u>	<u><b>14,000</b></u>	<u><b>(2,000)</b></u>
Expenditures:			
Personal Services	9,390	9,500	(110)
Contractual Services	3,440	11,115	(7,675)
Commodities	<u>568</u>	<u>3,200</u>	<u>(2,632)</u>
Total Expenditures	<u>13,398</u>	<u><b>23,815</b></u>	<u><b>(10,417)</b></u>
Cash Receipts over (under) Expenditures	(1,398)		
Unencumbered Cash, Beginning	<u>10,212</u>		
Unencumbered Cash, Ending	\$ <u><b>8,814</b></u>		

CITY OF PALCO, KANSAS

WATER FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 40,645	<u>50,000</u>	<u>(9,355)</u>
Expenditures:			
Personal Services	25,945	40,000	(14,055)
Contractual Services	9,722	16,000	(6,278)
Commodities	4,235	10,292	(6,057)
Transfer to Water Reserve	<u>4,000</u>	<u>4,000</u>	<u>0</u>
Total Expenditures	<u>43,902</u>	<u>70,292</u>	<u>(26,390)</u>
Cash Receipts over (under) Expenditures	(3,257)		
Unencumbered Cash, Beginning	<u>19,026</u>		
Unencumbered Cash, Ending	\$ <u>15,769</u>		

CITY OF PALCO, KANSAS

SEWER FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ <u>34,070</u>	<u>38,000</u>	<u>(3,930)</u>
Expenditures:			
Personal Services	17,440	16,000	1,440
Contractual Services	4,362	7,500	(3,138)
Commodities	3,957	7,705	(3,748)
KDHE Loan-Principal Payment	9,469	9,469	0
KDHE Loan-Interest Payment	<u>4,131</u>	<u>4,131</u>	<u>0</u>
Total Expenditures	<u>39,359</u>	<u>44,805</u>	<u>(5,446)</u>
Cash Receipts over (under) Expenditures	(5,289)		
Unencumbered Cash, Beginning	<u>7,788</u>		
Unencumbered Cash, Ending	\$ <u>2,499</u>		

CITY OF PALCO, KANSAS

SOLID WASTE FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 40,355	<u>38,000</u>	<u>2,355</u>
Expenditures:			
Personal Services	17,998	23,400	(5,402)
Contractual Services	12,233	12,000	233
Commodities	7,661	5,278	2,383
Transfer to Bond and Interest	<u>1,500</u>	<u>8,800</u>	<u>(7,300)</u>
Total Expenditures	<u>39,392</u>	<u>49,478</u>	<u>(10,086)</u>
Cash Receipts over (under) Expenditures	963		
Unencumbered Cash, Beginning	<u>2,506</u>		
Unencumbered Cash, Ending	\$ <u>3,469</u>		

**CITY OF PALCO, KANSAS**  
 Any Nonbudgeted Funds  
 Schedule of Cash Receipts and Expenditures  
 Regulatory Basis  
For the Year Ended December 31, 2012

SCHEDULE 2  
 Page 10

	<b>Water Reserve</b>	<b>Expendable Trust</b>	<b>McKenna Fund</b>
Cash Receipts:			
Donations/Other	\$ 0	118,453	1,345,806
Oil Income	0	0	27,865
Farmland Income	0	0	209,549
Interest on Idle Funds	0	159	5,444
Transfer from Water	4,000	0	0
Total Cash Receipts	4,000	118,612	1,588,664
Expenditures:			
Personal Services	0	8,334	8,657
Contractual	0	59,562	29,248
Commodities	0	915	2,134
Transfer to Bond & Interest Fund	0	6,567	0
Transfer to Special Equipment	0	3,150	0
Total Expenditures	0	78,528	40,039
Cash Receipts over (under) Expenditures	4,000	40,084	1,548,625
Unencumbered Cash, Beginning	7,933	53,262	267,999
Unencumbered Cash, Ending	\$ 11,933	93,346	1,816,624

**CITY OF PALCO, KANSAS**  
 Any Nonbudgeted Funds  
 Schedule of Cash Receipts and Expenditures  
 Regulatory Basis  
For the Year Ended December 31, 2012

	<b>Special Equipment</b>	<b>Customer Deposits</b>
Cash Receipts:		
Miscellaneous	\$ 455	0
Interest	0	13
Transfer from Expendible Trust	3,150	0
Customer Deposits	0	1,560
Total Cash Receipts	3,605	1,573
Expenditures:		
Contractual Services	1,240	0
Commodities	1,981	0
Refunds	0	372
Total Expenditures	3,221	372
Cash Receipts over (under) Expenditures	384	1,201
Unencumbered Cash, Beginning	6,627	12,918
Unencumbered Cash, Ending	\$ 7,011	14,119