

# **CITY OF SCAMMON, KANSAS**

Financial Statement and  
Independent Auditors' Report with  
Supplemental Information

For the Year Ended December 31, 2012

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

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**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Council  
City of Scammon, Kansas

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

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

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

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Scammon, 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 Scammon, 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 Scammon, 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 receipts and expenditures-actual and budget (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 basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

*Jarred, Gilmore & Phillips, PA*

JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

July 2, 2013  
Chanute, Kansas

CITY OF SCAMMON, KANSAS

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

Funds	Beginning Unencumbered Cash Balances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Add Encumbrances and Accounts Payable	December 31, 2012 Cash Balances
<b>Governmental Type Funds:</b>						
General Fund	\$ 89,660.14	\$ 158,096.37	\$ 155,359.16	\$ 92,397.35	\$ 6,716.30	\$ 99,113.65
<b>Special Purpose Funds:</b>						
Equipment Reserve	398.50	234.00	-	632.50	-	632.50
Special Highway	161,562.23	12,434.58	-	173,996.81	-	173,996.81
Cemetery	4,324.78	795.10	1,600.00	3,519.88	-	3,519.88
Special Parks and Recreation	3,876.92	919.27	697.69	4,098.50	54.19	4,152.69
<b>Bond and Interest Fund:</b>						
Bond and Interest	947.84	-	947.84	-	-	-
<b>Business Funds:</b>						
Water Utility	134,584.36	76,917.73	79,587.31	131,914.78	2,086.47	134,001.25
Sewer Utility	61,366.67	36,492.30	32,852.23	65,006.74	282.95	65,289.69
Water and Sewer Principal and Interest	21,452.75	15,000.00	12,099.99	24,352.76	-	24,352.76
Water and Sewer Utility Reserve	37,375.77	1,352.06	-	38,727.83	-	38,727.83
<b>Total Reporting Entity</b>	<b>\$ 515,549.96</b>	<b>\$ 302,241.41</b>	<b>\$ 283,144.22</b>	<b>\$ 534,647.15</b>	<b>\$ 9,139.91</b>	<b>\$ 543,787.06</b>

Composition of Cash:

Petty Cash	\$ 250.00
Checking Account - Exchange State Bank	220,143.67
Savings - Exchange State Bank	49,074.95
Investments	
Certificate of Deposits- American Bank	274,318.44
<b>Total Cash and Investments</b>	<b>\$ 543,787.06</b>

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

## **CITY OF SCAMMON, KANSAS**

Notes to the Financial Statement  
December 31, 2012

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### Financial Reporting Entity

The City of Scammon, Kansas, is a municipal corporation governed by an elected seven-member council.

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

The City has determined that no outside agency meets the above criteria and, therefore, no outside agency has been include as a related municipal entity in this financial statement.

#### Regulatory Basis Fund Types

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

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

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

Bond and Interest fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

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

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

Basis of Presentation – Regulatory Basis of Accounting

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

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

Pension Plan

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

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 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 the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for the revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

Reimbursed Expenses

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

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

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 on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

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

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose fund:

### Equipment Reserve Fund

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.

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (Continued)

Revenue Bond Requirements

The City is required, under ordinance on the Water and Sewer System Utility Revenue Bonds, to maintain in its Business Fund certain restricted accounts. The ordinances provide that the following reserve accounts be set up in amounts as described below:

<u>RESERVE ACCOUNT</u>	<u>REQUIRED AMOUNT</u>	<u>ACTUAL AMOUNT</u>
Waterworks and Sewer Utility System Principal and Interest Account – Requires transfers monthly of 1/6 of next maturing interest, beginning May 1, 1980, and 1/12 of next maturing principal, beginning May 1, 1983.	\$ 5,950.00	\$ 24,352.76
Waterworks and Sewer Utility System Reserve Account – Requires monthly Transfers of \$100.00 per month beginning May 1, 1980 until a maximum of \$12,000.00 is reached.	<u>12,000.00</u>	<u>38,727.83</u>
Total Reserves at December 31, 2012	<u>\$ 17,950.00</u>	<u>\$ 63,080.59</u>

The City agrees to fix, establish, maintain and collect such rates, fees or charges for water and sewer service furnished by or through the Water and Sewer Utility System which will be sufficient to enable the City to have, in each fiscal year, a net income in an amount that will be not less than 125% of the amount required to be paid by the City in the next succeeding fiscal year on account of both principal and interest of all water and sewer system bonds of the City at the time outstanding. Net income is defined as gross income less operating expenses but before any transfers, depreciation and capital expense.

As of December 31, 2012, the City's Water and Sewer Utility System was serving 204 customers. For the year ended December 31, 2012, the Water and Sewer Utility Funds had a combined net operating profit of \$24,781.07, which is 211.80% of the principal and interest requirements for 2013 of \$11,700.00.

Compliance with Kansas Statutes

Statement 1 and Schedule 1 has been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1, and Schedule 1, the City was in apparent compliance with Kansas cash basis.

The City was in violation of K.S.A. 12-1608 which requires that the treasurer of each city shall publish, within 30 days after the end of the calendar year, financial statements by fund. The 2012 annual report was not published within the required 30 day timeframe.

**3. DEPOSITS AND INVESTMENTS**

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

*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. All deposits were legally secured at December 31, 2012.

At year-end, the carrying amount of the City's deposits was \$543,537.06 and the bank balance was \$547,058.10. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$524,318.44 was covered by FDIC insurance and \$22,739.66 was collateralized with securities held by the pledging financial institution's agents in the City's name.

**4. LONG-TERM DEBT COMMITMENTS**

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Revenue Bonds									
Paid By Utility Revenues:									
Water and Sewer Utility, Series 1980	5.00%	1980	\$ 190,000.00	2020	\$ 86,000.00	\$ -	\$ 8,000.00	\$ 78,000.00	\$ 4,100.00
Revolving Loans									
Paid By Utility Revenues:									
Kansas Public Water Supply Loan	3.35%	2007	110,284.00	2029	72,550.73	-	5,223.52	67,327.21	2,387.06
Total Long-Term Debt Commitments					<u>\$ 158,550.73</u>	<u>\$ -</u>	<u>\$ 13,223.52</u>	<u>\$ 145,327.21</u>	<u>\$ 6,487.06</u>

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

Issue	2013	2014	2015	2016	2017	2017-2021	2022-2026	2027-2029	Less: Proceeds not Drawn Down	Total
Principal										
Revenue Bonds										
Paid By Utility Revenues:										
Water and Sewer Utility, Series 1980	\$ 8,000.00	\$ 8,000.00	\$ 9,000.00	\$ 9,000.00	\$ 10,000.00	\$ 34,000.00	\$ -	\$ -	\$ -	\$ 78,000.00
Revolving Loans										
Paid By Utility Revenues:										
Kansas Public Water Supply Loan	4,435.80	4,585.65	4,740.55	4,900.70	5,066.24	28,016.91	33,079.79	7,869.76	(25,368.19)	67,327.21
Total Principal Payments	<u>12,435.80</u>	<u>12,585.65</u>	<u>13,740.55</u>	<u>13,900.70</u>	<u>15,066.24</u>	<u>62,016.91</u>	<u>33,079.79</u>	<u>7,869.76</u>	<u>(25,368.19)</u>	<u>145,327.21</u>
Interest										
Revenue Bonds										
Paid By Utility Revenues:										
Water and Sewer Utility, Series 1980	3,700.00	3,300.00	2,875.00	2,425.00	1,950.00	2,600.00	-	-	-	16,850.00
Revolving Loans										
Paid By Utility Revenues:										
Kansas Public Water Supply Loan	3,319.72	3,174.78	3,024.93	2,870.03	2,709.88	10,951.49	5,275.43	3,940.33	-	35,266.59
Total Interest Payments	<u>7,019.72</u>	<u>6,474.78</u>	<u>5,899.93</u>	<u>5,295.03</u>	<u>4,659.88</u>	<u>13,551.49</u>	<u>5,275.43</u>	<u>3,940.33</u>	<u>-</u>	<u>52,116.59</u>
Total Principal and Interest	<u>\$ 19,455.52</u>	<u>\$ 19,060.43</u>	<u>\$ 19,640.48</u>	<u>\$ 19,195.73</u>	<u>\$ 19,726.12</u>	<u>\$ 75,568.40</u>	<u>\$ 38,355.22</u>	<u>\$ 11,810.09</u>	<u>\$ (25,368.19)</u>	<u>\$ 197,443.80</u>

## **5. DEFINED BENEFIT PENSION PLAN**

*Plan description.* The City 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 issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

*Funding Policy.* K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

## **6. RISK MANAGEMENT**

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

## **7. COMPENSATED ABSENCES**

Eligible employees earn and accumulate vacation leave as follows:

- After One Full Year of Employment – 5 Days
- After Five Full Years of Employment – 10 Days
- After Ten Full Years of Employment – 15 Days
- After Twenty Full Years of Employment – 20 Days

Vacation days cannot be carried over if not used during the year earned and can be paid in lieu of time off.

Eligible employees earn and accumulate sick leave from the beginning of employment at the rate of one day for every full month of service. Sick leave may be accumulated to a maximum of 60 days, and is not paid if not used while the employee is employed or upon termination of employment.

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.

**7. COMPENSATED ABSENCES** (Continued)

In accordance with the above criteria, there was no liability because all unused leave was paid in lieu of time off at December 31, 2012. The City has not estimated a liability for sick leave earned, but not taken, by City employees, as the amounts cannot be reasonably estimated at this time.

**8. INTERFUND TRANSFERS**

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water Utility	Water & Sewer Principal & Interest	K.S.A. 12-825d	\$ 7,500.00
Sewer Utility	Water & Sewer Principal & Interest	K.S.A. 12-825d	7,500.00
Water Utility	Water & Sewer Utility Reserve	K.S.A. 12-825d	600.00
Sewer Utility	Water & Sewer Utility Reserve	K.S.A. 12-825d	600.00
General	Equipment Reserve	K.S.A. 12-1,117	234.00

Residual transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
Bond and Interest	General	K.S.A. 10-117a	\$ 947.84

**9. CONTINGENCIES**

During 2009, the City signed an agreement with a contractor to drill a water well. The well was completed in 2010. Due to delays in completion and other contract specifics, the contractor and the City did not agree on the final payment amount. The contractor refused to accept payment and final payment remains unpaid. As of December 31, 2012, the City considers the amount the contractor could claim, should they pursue the claim, to be approximately \$20,000.00.

**10. SUBSEQUENT EVENTS**

The City evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statement. The City did, however, enter into two contracts subsequent to year end for water tower maintenance, totaling \$81,972. The work is expected to be completed in the fall of 2013.

## **SUPPLEMENTAL INFORMATION**

## CITY OF SCAMMON, KANSAS

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

Funds	Certified Budget	Expenditures Charged to Current Year Budget	Variance - Over (Under)
Governmental Type Funds:			
General Fund	\$ 219,255.00	\$ 155,359.16	\$ (63,895.84)
Special Purpose Funds:			
Special Highway	174,261.00	-	(174,261.00)
Cemetery	4,351.00	1,600.00	(2,751.00)
Special Parks and Recreation	4,835.00	697.69	(4,137.31)
Business Funds:			
Water Utility	215,522.00	79,587.31	(135,934.69)
Sewer Utility	93,344.00	32,852.23	(60,491.77)

**CITY OF SCAMMON, KANSAS**  
**GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Taxes and Shared Revenue				
Ad Valorem Tax	\$ 39,951.33	\$ 39,071.67	\$ 41,477.00	\$ (2,405.33)
Delinquent Tax	1,347.81	2,315.82	2,070.00	245.82
Motor Vehicle Tax	9,449.13	10,784.41	9,930.00	854.41
Recreational Vehicle Tax	113.36	64.39	118.00	(53.61)
16/20M Vehicle Tax	129.68	176.78	118.00	58.78
Sales Tax	45,911.22	43,519.09	45,000.00	(1,480.91)
Franchise Tax	13,946.00	12,547.37	13,730.00	(1,182.63)
Alcoholic Liquor Tax	1,016.52	919.29	884.00	35.29
Intergovernmental				
Federal Grants-FEMA	3,418.74	-	-	-
State Grants-FEMA	40.64	-	-	-
Licenses and Fees	185.00	470.00	360.00	110.00
Fines	465.00	1,173.00	420.00	753.00
Fire	2,000.00	2,500.00	-	2,500.00
Charges for Services	37.34	13.00	200.00	(187.00)
Use of Money and Property				
Interest Income	1,393.94	1,180.00	1,520.00	(340.00)
Rentals	3,000.00	3,500.00	3,000.00	500.00
Other Revenues				
Miscellaneous	503.69	1,221.23	900.00	321.23
Trash Fees	34,892.69	37,692.48	34,520.00	3,172.48
Reimbursed Expense	3,229.61	-	-	-
Residual Transfer from				
Bond and Interest Fund	-	947.84	-	947.84
<b>Total Receipts</b>	<b>161,031.70</b>	<b>158,096.37</b>	<b>\$ 154,247.00</b>	<b>\$ 3,849.37</b>
<b>Expenditures</b>				
Administration				
Personal Services	24,504.93	23,298.46	\$ 26,276.00	\$ (2,977.54)
Contractual Services	30,597.50	35,899.68	25,000.00	10,899.68
Commodities	4,461.68	3,563.71	4,000.00	(436.29)
Capital Outlay	-	-	1,000.00	(1,000.00)
Street Lights				
Contractual Services	8,098.05	8,484.94	8,900.00	(415.06)

**CITY OF SCAMMON, KANSAS**  
**GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures (Continued)				
Fire Department				
Personal Services	\$ 1,953.53	\$ 2,170.02	\$ 2,198.00	\$ (27.98)
Contractual Services	2,851.45	2,762.62	4,500.00	(1,737.38)
Commodities	2,038.76	3,014.29	1,650.00	1,364.29
Capital Outlay	-	-	2,500.00	(2,500.00)
Street Department				
Personal Services	3,778.74	3,984.88	15,000.00	(11,015.12)
Contractual Services	605.76	844.73	6,500.00	(5,655.27)
Commodities	3,250.83	4,946.52	6,000.00	(1,053.48)
Capital Outlay	-	-	22,866.00	(22,866.00)
Police				
Personal Services	9,979.84	13,022.24	17,145.00	(4,122.76)
Contractual Services	329.94	904.98	2,000.00	(1,095.02)
Commodities	1,244.51	1,740.79	3,500.00	(1,759.21)
Capital Outlay	-	-	3,000.00	(3,000.00)
Sanitation Department				
Contractual Services	35,256.00	35,381.00	34,520.00	861.00
Pool Department				
Personal Services	2,325.69	3,789.08	4,200.00	(410.92)
Contractual Services	1,849.15	2,019.62	2,000.00	19.62
Commodities	8,011.38	4,672.76	15,000.00	(10,327.24)
Capital Outlay	-	-	5,000.00	(5,000.00)
Demolition Department				
Contractual Services	3,300.00	4,624.84	4,000.00	624.84
Operating Transfer to Equipment Reserve Fund	-	234.00	2,500.00	(2,266.00)
Total Expenditures	<u>144,437.74</u>	<u>155,359.16</u>	<u>\$ 219,255.00</u>	<u>\$ (63,895.84)</u>
Receipts Over(Under) Expenditures	16,593.96	2,737.21		
Unencumbered Cash, Beginning	<u>73,066.18</u>	<u>89,660.14</u>		
Unencumbered Cash, Ending	<u>\$ 89,660.14</u>	<u>\$ 92,397.35</u>		

**CITY OF SCAMMON, KANSAS**  
**EQUIPMENT RESERVE FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from General Fund	\$ -	\$ 234.00
Total Receipts	-	234.00
Expenditures		
Improvements Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	234.00
Unencumbered Cash, Beginning	398.50	398.50
Unencumbered Cash, Ending	<u>\$ 398.50</u>	<u>\$ 632.50</u>

**CITY OF SCAMMON, KANSAS**  
**SPECIAL HIGHWAY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
Special Highway Fuel Tax	\$ 12,330.89	\$ 12,434.58	\$ 12,650.00	\$ (215.42)
Total Receipts	<u>12,330.89</u>	<u>12,434.58</u>	<u>\$ 12,650.00</u>	<u>\$ (215.42)</u>
Expenditures				
Streets and Highways				
Personal Services	-	-	\$ 25,000.00	\$ (25,000.00)
Commodities	-	-	149,261.00	(149,261.00)
Total Expenditures	<u>-</u>	<u>-</u>	<u>\$ 174,261.00</u>	<u>\$ (174,261.00)</u>
Receipts Over(Under) Expenditures	12,330.89	12,434.58		
Unencumbered Cash, Beginning	<u>149,231.34</u>	<u>161,562.23</u>		
Unencumbered Cash, Ending	<u>\$ 161,562.23</u>	<u>\$ 173,996.81</u>		

**CITY OF SCAMMON, KANSAS**  
**CEMETERY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Taxes and Shared Revenue				
Ad Valorem Tax	\$ 609.72	\$ 586.06	\$ 634.00	\$ (47.94)
Delinquent Tax	22.87	36.51	37.00	(0.49)
Motor Vehicle Tax	156.35	168.73	155.00	13.73
Recreational Vehicle Tax	1.87	1.00	2.00	(1.00)
16/20M Vehicle Tax	2.15	2.80	2.00	0.80
<b>Total Receipts</b>	<u>792.96</u>	<u>795.10</u>	<u>\$ 830.00</u>	<u>\$ (34.90)</u>
<b>Expenditures</b>				
Appropriation to Cemetery Board				
	-	1,600.00	\$ 4,351.00	\$ (2,751.00)
<b>Total Expenditures</b>	<u>-</u>	<u>1,600.00</u>	<u>\$ 4,351.00</u>	<u>\$ (2,751.00)</u>
Receipts Over(Under) Expenditures	792.96	(804.90)		
Unencumbered Cash, Beginning	<u>3,531.82</u>	<u>4,324.78</u>		
Unencumbered Cash, Ending	<u>\$ 4,324.78</u>	<u>\$ 3,519.88</u>		

**CITY OF SCAMMON, KANSAS**  
**SPECIAL PARKS AND RECREATION FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Taxes and Shared Revenue				
Alcoholic Liquor Tax	\$ 1,016.49	\$ 919.27	\$ 884.00	\$ 35.27
<b>Total Receipts</b>	<u>1,016.49</u>	<u>919.27</u>	<u>\$ 884.00</u>	<u>\$ 35.27</u>
<b>Expenditures</b>				
Culture and Recreation				
Personal Services	219.54	32.10	\$ 300.00	\$ (267.90)
Contractual Services	592.12	665.59	2,500.00	(1,834.41)
Commodities	23.94	-	2,035.00	(2,035.00)
<b>Total Expenditures</b>	<u>835.60</u>	<u>697.69</u>	<u>\$ 4,835.00</u>	<u>\$ (4,137.31)</u>
Receipts Over(Under) Expenditures	180.89	221.58		
Unencumbered Cash, Beginning	<u>3,696.03</u>	<u>3,876.92</u>		
Unencumbered Cash, Ending	<u>\$ 3,876.92</u>	<u>\$ 4,098.50</u>		

**CITY OF SCAMMON, KANSAS**  
**BOND AND INTEREST FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Taxes and Shared Revenue		
Ad Valorem Tax	\$ (5.08)	\$ -
Delinquent Tax	88.04	-
Motor Vehicle Tax	468.42	-
Recreational Vehicle Tax	6.61	-
16/20M Vehicle Tax	6.13	-
Total Receipts	564.12	-
Expenditures		
Residual Transfer to General Fund	-	947.84
Total Expenditures	-	947.84
Receipts Over(Under) Expenditures	564.12	(947.84)
Unencumbered Cash, Beginning	383.72	947.84
Unencumbered Cash, Ending	\$ 947.84	\$ -

**CITY OF SCAMMON, KANSAS**  
**WATER UTILITY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Operating Revenues				
Charges for Services	\$ 82,730.42	\$ 75,264.71	\$ 80,000.00	\$ (4,735.29)
Connect and Reconnect Fees	1,403.49	1,491.65	3,000.00	(1,508.35)
Use of Money and Property				
Interest Income	438.26	161.37	610.00	(448.63)
<b>Total Receipts</b>	<u>84,572.17</u>	<u>76,917.73</u>	<u>\$ 83,610.00</u>	<u>\$ (6,692.27)</u>
<b>Expenditures</b>				
Operating Expenditures				
Personal Services	24,902.38	31,060.66	\$ 45,000.00	\$ (13,939.34)
Contractual Services	8,944.78	9,159.04	20,000.00	(10,840.96)
Commodities	15,331.42	23,657.03	30,000.00	(6,342.97)
Capital Outlay	-	-	104,675.00	(104,675.00)
Revolving Loan Pymts - New Well				
Principal	5,052.83	5,223.52	4,151.00	1,072.52
Interest	2,557.75	2,387.06	3,596.00	(1,208.94)
Operating Transfers to:				
Water and Sewer Principal and Interest Fund	7,500.00	7,500.00	7,500.00	-
Water and Sewer Utility Reserve Fund	600.00	600.00	600.00	-
<b>Total Expenditures</b>	<u>64,889.16</u>	<u>79,587.31</u>	<u>\$ 215,522.00</u>	<u>\$ (135,934.69)</u>
Receipts Over(Under) Expenditures	19,683.01	(2,669.58)		
Unencumbered Cash, Beginning	<u>114,901.35</u>	<u>134,584.36</u>		
Unencumbered Cash, Ending	<u>\$ 134,584.36</u>	<u>\$ 131,914.78</u>		

**CITY OF SCAMMON, KANSAS**  
**SEWER UTILITY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Operating Revenues				
Charges for Services	\$ 36,761.27	\$ 36,330.95	\$ 37,500.00	\$ (1,169.05)
Use of Money and Property				
Interest Income	438.18	161.35	610.00	(448.65)
<b>Total Receipts</b>	<u>37,199.45</u>	<u>36,492.30</u>	<u>\$ 38,110.00</u>	<u>\$ (1,617.70)</u>
<b>Expenditures</b>				
Operating Expenditures				
Personal Services	21,881.70	19,384.24	\$ 28,374.00	\$ (8,989.76)
Contractual Services	2,809.13	2,252.35	4,000.00	(1,747.65)
Commodities	11,888.58	3,115.64	5,000.00	(1,884.36)
Capital Outlay	-	-	47,870.00	(47,870.00)
Operating Transfers to:				
Water and Sewer Principal and Interest Fund	7,500.00	7,500.00	7,500.00	-
Water and Sewer Utility Reserve Fund	600.00	600.00	600.00	-
<b>Total Expenditures</b>	<u>44,679.41</u>	<u>32,852.23</u>	<u>\$ 93,344.00</u>	<u>\$ (60,491.77)</u>
Receipts Over(Under) Expenditures	(7,479.96)	3,640.07		
Unencumbered Cash, Beginning	<u>68,846.63</u>	<u>61,366.67</u>		
Unencumbered Cash, Ending	<u>\$ 61,366.67</u>	<u>\$ 65,006.74</u>		

**CITY OF SCAMMON, KANSAS**  
**WATER AND SEWER PRINCIPAL AND INTEREST FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfers from:		
Water Utility Fund	\$ 7,500.00	\$ 7,500.00
Sewer Utility Fund	7,500.00	7,500.00
Total Receipts	<u>15,000.00</u>	<u>15,000.00</u>
Expenditures		
Debt Service		
Principal	7,000.00	8,000.00
Interest	4,475.00	4,099.99
Total Expenditures	<u>11,475.00</u>	<u>12,099.99</u>
Receipts Over(Under) Expenditures	3,525.00	2,900.01
Unencumbered Cash, Beginning	<u>17,927.75</u>	<u>21,452.75</u>
Unencumbered Cash, Ending	<u>\$ 21,452.75</u>	<u>\$ 24,352.76</u>

**CITY OF SCAMMON, KANSAS**  
**WATER AND SEWER UTILITY RESERVE FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 194.82	\$ 152.06
Operating Transfers from:		
Water Utility Fund	600.00	600.00
Sewer Utility Fund	600.00	600.00
Total Receipts	<u>1,394.82</u>	<u>1,352.06</u>
Expenditures		
Improvements		
Capital Outlay	-	-
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over(Under) Expenditures	1,394.82	1,352.06
Unencumbered Cash, Beginning	<u>35,980.95</u>	<u>37,375.77</u>
Unencumbered Cash, Ending	<u>\$ 37,375.77</u>	<u>\$ 38,727.83</u>



## Communication of Material Weaknesses

The Honorable Mayor and City Council  
City of Scammon, Kansas

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in City of Scammon, Kansas' internal control to be material weaknesses:

### Preparation of Financial Statement

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

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Jarred, Gilmore & Phillips, PA  
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Segregation of Duties

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

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

*Jarred, Gilmore & Phillips, PA*

JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

July 2, 2013  
Chanute, Kansas