CITY OF SENECA, KANSAS

FINANCIAL STATEMENT AND INDEPENDENT AUDITORS' REPORT
December 31, 2012

CLUBINE AND RETTELE, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS
Salina, Kansas

CITY OF SENECA, KANSAS

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TABLE OF CONTENTS

		Page Number
	INTRODUCTORY SECTION	
	Title Page	
	Table of Contents	
	FINANCIAL SECTION	
	Independent Auditors' Report	1-2
	Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in Accordance with Government Auditing Standards	3-4
	Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of expenditures of federal awards required by OMB Circular A-133	5-6
STATEMENT 1	Summary Statement of Receipts, Expenditures, and Unencumbered Cash - Regulatory Basis	7
NOTES TO FINANCIAL STATEMENT		8-14
	REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE 1	Summary of Expenditures, Actual and Budget - Regulatory Basis	15
SCHEDULE 2	Schedule of Receipts and Expenditures, Actual and Budget - Regulatory Basis	
	General Fund	16-17
	Library Fund	18
	Fire Equipment Fund	19
	Industrial Development Fund	20
	Employee Benefit Fund	21
	Fire Truck Fund	22
	Airport Fund	23
	Special Highway Fund	24
	Special Park and Recreation Fund	25
	Capital Equipment Fund	26
	Capital Improvement Fund	27
	Special Park Improvement Fund	28
	Bond and Interest Fund	29
	Ambulance Fund	30
	Water Utility Fund	31
	Meter Deposits Fund	32
	Sewer Utility Fund	33
	Electric Utility Fund	34
	Swimming Pool Fund	35
	Golf Club Capital Improvement Fund	36
	Pool Capital Improvement Fund	37
	Sewer Capital Improvement Fund	38

CITY OF SENECA, KANSAS

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December 31, 2012

TABLE OF CONTENTS (Cont.)

		Page Number
SCHEDULE 2	Schedule of Receipts and Expenditures, Actual and Budget - Regulatory Basis	
	3rd Street Project Fund	39
	Main Street Project Fund	40
	Law Enforcement Fund	41
SCHEDULE 3	Schedule of Receipts and Expenditures, Actual - Regulatory Basis (Agency Funds)	
	Cemetery Trust Fund	42
	Convention & Tourism Fund	42
SCHEDULE 4	Schedule of Receipts and Expenditures, Actual - Regulatory Basis (Related Municipal Entity)	
	Public Library	43
	SINGLE AUDIT SECTION	
SCHEDULE 5	Schedule of Expenditures of Federal Awards	44
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		45
SCHEDULE 6	Summary Schedule of Prior Audit Findings	46
SCHEDULE 7	Schedule of Findings and Questioned Costs	47
SCHEDULE 8	Corrective Action Plan	48

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INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Seneca, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Seneca, 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 2 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 2 of the financial statement, the financial statement is prepared by the City of Seneca 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 2 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 Seneca 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 Seneca 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 2.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2012 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds, schedules of regulatory basis receipts and expenditures-actual-related municipal entity (Schedules 1, 2, 3, and 4 as listed in the table of contents) are presented for analysis and are not a required part of the 2012 basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide.* The schedule of expenditures of federal awards (Schedule 5 as listed in the table of contents) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statement. 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 2012 basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the 2012 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 2012 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 2012 supplementary information is fairly stated in all material respects in relation to the 2012 basic financial statement as a whole, on the basis of accounting described in Note 2.

The 2011 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedules of regulatory basis receipts and expenditures-actual-related municipal entity (Schedules 2 and 4 as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2011 basic financial statement upon which we rendered an unqualified opinion dated June 22, 2012. The 2011 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link http://da.ks.gov/ar/muniserv/. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 basic financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 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 2011 basic financial statement or to the 2011 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 2011 comparative information is fairly stated in all material respects in relation to the 2011 basic financial statement as a whole, on the basis of accounting described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated August 19, 2013, on our consideration of the City of Seneca's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in consideration of the City of Seneca's internal control over financial reporting and compliance.

Clubine and Rettele, Chartered

Clubine and Rettele

Salina, Kansas
August 19, 2013

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

To the Mayor and City Council
City of Seneca, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Seneca, Kansas, as of and for the year ended December 31, 2012 and the related notes to the financial statement, and have issued our report thereon dated August 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, prescribed by the Director of Accounts and Reports, Department of Administration of the State of Kansas.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered City of Seneca's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of City of Seneca's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Seneca's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exits that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2012-1).

Compliance and Other Matters

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

City of Seneca's Response to Findings

City of Seneca's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Seneca's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

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

Clubine and Rettele, Chartered

Salina, Kansas
August 19, 2013

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

To the Mayor and City Council
City of Seneca, Kansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of City of Seneca with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that that could have a direct and material effect on City of Seneca's major federal program for the year ended December 31, 2012. City of Seneca's major federal program is identified in the identification of major programs section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion for each major federal program. Our audit does not provide a legal determination of City of Seneca's compliance with those requirements.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of City of Seneca is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit of compliance, we considered City of Seneca's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Seneca's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses and therefore, material deficiencies, significant deficiencies, or material weaknesses may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2012-1.

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

Clubine and Rettele, Chartered

Salina, Kansas
August 19, 2013

CITY OF SENECA, KANSAS

Statement 1

Summary Statement of Receipts, Expenditures and Unencumbered Cash - Regulatory Basis

For the Year Ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:						
General	$ 22,483.15	$ 901,778.39	$ 862,545.07	$ 61,716.47	$ 5,626.75	$ 67,343.22
Special Purpose Funds:						
Library	-	117,916.89	117,916.89	-	-	-
Fire Equipment	39,443.28	24,539.56	33,991.91	29,990.93	3,199.34	33,190.27
Industrial Development	43,819.99	20,149.46	8,893.83	55,075.62	-	55,075.62
Employee Benefit	1,905.86	-	-	1,905.86	-	1,905.86
Fire Truck	19,853.90	32,671.87	28,881.10	23,644.67	560.21	24,204.88
Airport	4,265.97	860.00	1,680.86	3,445.11	-	3,445.11
Special Highway	1,050.32	51,422.90	51,422.90	1,050.32	-	1,050.32
Special Park and Recreation	13,739.80	12,379.77	3,876.35	22,243.22	-	22,243.22
Capital Equipment	5,146.83	49.25	-	5,196.08	-	5,196.08
Capital Improvement	155,843.28	551,593.05	481,166.55	226,269.78	4,950.00	231,219.78
Special Park Improvement	359.18	-	-	359.18	-	359.18
Debt Service Funds:					-	
Bond and Interest	219.09	64.76	-	283.85	-	283.85
Business Funds:						
Enterprise Funds						
Ambulance	(251.39)	20,741.60	6,738.85	13,751.36	-	13,751.36
Water Utility	300,282.76	413,414.07	468,453.58	245,243.25	975.57	246,218.82
Meter Deposits	53,000.64	7,175.00	4,135.00	56,040.64	-	56,040.64
Sewer Utility	51,866.56	134,647.61	147,533.89	38,980.28	322.11	39,302.39
Electric Utility	1,282,140.75	3,275,760.35	3,134,458.72	1,423,442.38	177,475.04	1,600,917.42
Swimming Pool	20,296.24	127,450.25	127,503.75	20,242.74	-	20,242.74
Capital Project Funds:						
Golf Club Capital Improvement	-	-	-	-	-	-
Pool Capital Improvement	1,503,830.06	648,824.87	527,606.50	1,625,048.43	-	1,625,048.43
Sewer Capital Improvement	20.00	-	-	20.00	-	20.00
3rd Street Project	47,238.79	75,533.75	85,742.50	37,030.04	-	37,030.04
Main Street Project	447,644.85	838,031.98	1,236,762.32	48,914.51	-	48,914.51
Law Enforcement	2,100.00	950.00	-	3,050.00	-	3,050.00
	4,016,299.91	7,255,955.38	7,329,310.57	3,942,944.72	193,109.02	4,136,053.74
Related Municipal Entity: Seneca Free Library	58,713.77	143,776.65	134,392.29	68,098.13	-	68,098.13
Total Reporting Entity (Excluding Agency Funds)	$ 4,075,013.68	$ 7,399,732.03	$ 7,463,702.86	$ 4,011,042.85	$ 193,109.02	$ 4,204,151.87

Composition of Cash:

Certificates of Deposit	$ 2,200,000.00
Checking Accounts	1,949,946.92
Total Related Municipal Entity	68,098.13
Total Cash	4,218,045.05
Agency Funds per Schedule 3	(13,893.18)
Total Reporting Entity (Excluding Agency Funds)	$ 4,204,151.87

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

Note 1 Reporting Entity

The City of Seneca is a municipal corporation governed by a citizen elected mayor and six elected council members. The financial statement present the City of Seneca (the primary government) and its related municipal entity. The related municipal entity is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

Blended Presented Related Municipal Entities. The financial statement include the financial data of the blended presented related municipal entity. The related municipal entity is not reported separately to emphasize that it is essentially an extension of the city. The governing board is appointed by the mayor and City Council.

Seneca Free Library The Seneca Free Library Board operates the public library. Acquisition or disposition of real property by the Library Board must be approved by the City. Bond issuances must also be approved by the City.

Note 2 Summary of Significant Accounting Policies

Regulatory Basis of Accounting. 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 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.

Fund Descriptions. 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 a specified purpose.

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. water fund, electric fund, etc.)

Note 2 Summary of Significant Accounting Policies (Cont.)

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

Agency Fund - Funds used to report assets held by the municipal reporting entity in a purely custodial capacity

Departure from Accounting Principles Generally Accepted in the United States of America. The basis of accounting described above results in a financial statement presentation which shows receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities, such as deferred revenue and matured principal and interest payable, and reservations of 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 generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements.

Note 3 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. 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 a 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 for this year.

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

Note 3 Budgetary Information (Cont.)

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

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

Capital Equipment Fund
Capital Improvement Fund
Special Park Improvement 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.

Note 4 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 City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

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

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

Custodial credit risk - deposit. 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 a "peak period." All deposits were legally secured at December 31, 2012.

At December 31, 2012, the City's carrying amount of deposits was $4,218,045.05. The bank balance was $4,516,218.67. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance $568,565.11 was covered by federal depository insurance, and $3,947,653.56 was collateralized with securities held by the pledging financial institutions' agents in the Government's name.

Note 5 Interfund Transfers

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Fund	Ambulance Fund	12-110d	5,000.00
Electric Utility Fund	Capital Improvement Fund	12-1,118	339,210.83
Pool Capital Improvement Fund	Capital Improvement Fund	12-1,118	186,114.00
Pool Capital Improvement Fund	Swimming Pool Fund	12-1,117	50,000.00
Capital Improvement Fund	3rd Street Project Fund	12-1,118	75,533.75

Note 6 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 K.S.A. 74-4901, *et seq*. 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 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas sets a limitation on annual increases in the employer contribution rates. The employer rate established for calendar year 2012 is 7.34%

The employer contributions to KPERS for the years ended December 31, 2012, 2011 and 2010 were $52,759.58, $48,470.81, and $43,198.20 respectively, equal to the required contributions for each year.

Note 7 Compensated Absences

The City provides compensation for absences for full-time employees. Individuals who work at least 40 hours per week are classified as full-time, and are eligible to earn vacation and sick leave.

Vacation leave is earned according to the following schedule:

Years of Service	Hours
0-5 years	6.66 hrs/month
6-11 years	10.00 hrs/month
12-20 years	13.33 hrs/month
> 20 years	14.66 hrs/month

Note 7 Compensated Absences (Cont.)

Employees may not carry over more than 160 hours. Each employee's anniversary date is used to determine vacation carryover. Excess time over maximum accumulation is lost, unless a written request for vacation time has been denied by the City Administrator. An exception applies to employees of the Police Department, due to the additional cost incurred for a replacement officer to cover time of an absent officer. Employees of the Police Department may convert up to 50% of vacation time to cash annually.

Sick leave is earned 8 hours for each full month of service. No employee may accrue more than 720 hours of sick leave. Upon termination of employment with the city, an employee may not be paid for any unused sick leave.

As of December 31, 2012, accumulated vacation leave was $43,931.64, and sick leave was $135,208.57.

Note 8 Other Post Employment Benefits

As provided by K.S.A. 12-5040, the municipality allows retirees under age 65 to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually the local government 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 municipality 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 municipality under this program.

Note 9 Subsequent Events

The municipality's management has evaluated events and transactions occurring after December 31, 2012 through August 19, 2013. The aforementioned date represents the date the financial statement was available to be issued.

As of December 31, 2012, the City of Seneca was involved in an eminent domain proceeding with Wyoming Tire, Inc. for the acquisition of real estate for the purpose of constructing a street. Subsequent to December 31, 2012, the case has proceeded to the point of award of damages, which have been paid in full by the City. As of August 5, 2013, the time for appeal has expired and the City's legal counsel does not anticipate any further liability on behalf of the City.

CITY OF SENECA, KANSAS
NOTES TO FINANCIAL STATEMENT (Cont.)
December 31, 2012

Note 10 Long-Term Debt

Changes in long-term liabilities for the municipality 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	Net Changes	Balance End of Year	Interest Paid
General Obligation Bonds										
3rd Street	4.00%	9/8/2010	$ 815,000.00	3/1/2021	$ 815,000.00	$ -	$ 65,000.00	$ -	$ 750,000.00	$ 20,742.50
Main Street	0.75% - 3.75%	5/25/2011	880,000.00	12/1/2021	880,000.00	-	65,000.00	-	815,000.00	33,370.46
Total General Obligation Bonds Payable					1,695,000.00	-	130,000.00	-	1,565,000.00	54,112.96
Revenue Bonds										
Sewer Water Pollution Revolving Loan - Sewer	3.10%	2/19/2004	900,000.00	9/1/2024	644,605.97	-	40,956.11	-	603,649.86	20,742.50
Revolving Loan - Wells	3.63%	9/28/2009	1,105,802.57	2/1/2029	986,616.31	-	62,390.35	-	924,225.96	52,602.47
Kansas Transportation Revolving Loan	3.96%	11/17/2004	700,000.00	1/1/2026	530,962.85	-	32,129.74	-	498,833.11	19,667.83
Water Distribution Project Revolving Loan	3.28%	3/16/2011	239,032.62	8/1/2030	225,600.24	-	12,752.72	-	212,847.52	12,055.24
Total Revenue Bonds					2,387,785.37	-	148,228.92	-	2,239,556.45	105,068.04
Capital Lease Payable										
Pool	4.80%	3/15/2007	3,650,000.00	9/1/2027	3,215,000.00	-	145,000.00	-	3,070,000.00	146,492.50
Total Capital Lease Payable					3,215,000.00	-	145,000.00	-	3,070,000.00	146,492.50
Other										
Seneca Firemen Relief Association Loan Warrant	1.00%	4/24/2006	119,299.00	6/1/2021	77,613.97	-	7,827.88	-	69,786.09	756.62
Total Other Bonds					77,613.97	-	7,827.88	-	69,786.09	756.62
Total Contractural Indebtedness					$ 7,375,399.34	$ -	$ 431,056.80	$ -	$ 6,944,342.54	$ 306,430.12

Note 10 Long-Term Debt (Cont.)

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

	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2030	Total
Principal									
General Obligation Bonds:									
3rd Street	$ 75,000.00	$ 75,000.00	$ 80,000.00	$ 80,000.00	$ 85,000.00	$ 355,000.00	$ -	$ -	$ 750,000.00
Main Street	80,000.00	85,000.00	85,000.00	85,000.00	90,000.00	390,000.00	-	-	815,000.00
Revenue Bonds:									
Sewer Water Pollution	42,235.60	43,555.05	44,915.73	46,318.91	47,765.91	262,167.34	116,691.32	-	603,649.86
Water Wells	43,503.72	45,097.25	46,749.13	48,461.53	50,236.63	280,170.92	335,382.71	74,624.07	924,225.96
Kansas Transportation	33,386.00	34,691.40	36,047.84	37,457.32	38,921.88	218,662.64	99,666.03	-	498,833.11
Kansas Public Water	8,892.25	9,217.96	9,555.62	9,905.63	10,268.47	57,267.50	68,552.88	39,187.21	212,847.52
Capital Lease									
Pool	150,000.00	155,000.00	160,000.00	170,000.00	175,000.00	1,010,000.00	1,250,000.00	-	3,070,000.00
Other									
Seneca Firemen Relief	7,906.36	7,985.61	8,065.67	8,146.53	8,228.20	29,453.72	-	-	69,786.09
Total Principal Payments	$ 440,923.93	$ 455,547.27	$ 470,333.99	$ 485,289.92	$ 505,421.09	$ 2,602,722.12	$ 1,870,292.94	$ 113,811.28	$ 6,944,342.54
Interest									
General Obligation Bonds:									
3rd Street	$ 19,855.00	$ 18,542.50	$ 16,892.50	$ 14,992.50	$ 12,823.75	$ 24,642.50	$ -	$ -	$ 107,748.75
Main Street	21,515.00	20,715.00	19,440.00	17,740.00	15,700.00	35,125.00	-	-	130,235.00
Revenue Bonds:									
Sewer Water Pollution	18,388.34	17,068.89	15,708.21	14,305.03	12,858.03	40,952.36	4,556.55	-	123,837.41
Water Wells	33,158.16	31,564.63	29,912.75	28,200.35	26,425.25	103,138.48	47,926.66	2,037.81	302,364.09
Kansas Transportation	19,504.38	18,198.98	16,842.54	15,733.06	13,968.50	45,789.26	5,878.24	-	135,914.96
Kansas Public Water	7,646.39	7,320.68	6,983.02	6,633.01	6,270.17	25,425.70	14,140.32	2,159.39	76,578.68
Capital Lease									
Pool	140,837.50	134,912.50	128,712.50	122,232.50	115,262.50	452,137.50	187,687.50	-	1,281,782.50
Other									
Seneca Firemen Relief	678.14	598.88	518.83	437.97	356.30	592.02	-	-	3,182.14
Total Interest Payments	$ 261,582.91	$ 248,922.06	$ 235,010.35	$ 220,274.42	$ 203,664.50	$ 727,802.82	$ 260,189.27	$ 4,197.20	$ 2,161,643.53

CITY OF SENECA, KANSAS

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2012

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

Schedule 1

Fund	Certified Budget	Adjustment For Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds:					
General	$ 967,652.00	$ -	$ 967,652.00	$ 862,545.07	$ (105,106.93)
Special Purpose Funds:					
Library	121,491.00	-	121,491.00	117,916.89	(3,574.11)
Fire Equipment	62,668.00	-	62,668.00	33,991.91	(28,676.09)
Industrial Development	59,094.00	-	59,094.00	8,893.83	(50,200.17)
Employee Benefit	1,554.00	-	1,554.00	-	(1,554.00)
Fire Truck	39,162.00	-	39,162.00	28,881.10	(10,280.90)
Airport	5,716.00	-	5,716.00	1,680.86	(4,035.14)
Special Highway	54,840.00	-	54,840.00	51,422.90	(3,417.10)
Special Park and Recreation	22,011.00	-	22,011.00	3,876.35	(18,134.65)
Debt Service Fund:					
Bond and Interest	219.00	-	219.00	-	(219.00)
Business Funds					
Enterprise Funds:					
Ambulance	77,944.00	-	77,944.00	6,738.85	(71,205.15)
Water Utility	616,025.00	-	616,025.00	468,453.58	(147,571.42)
Meter Deposits	58,181.00	-	58,181.00	4,135.00	(54,046.00)
Sewer Utility	148,114.00	-	148,114.00	147,533.89	(580.11)
Electric Utility	3,155,310.00	-	3,155,310.00	3,134,458.72	(20,851.28)
Swimming Pool	255,273.00	-	255,273.00	127,503.75	(127,769.25)

CITY OF SENECA, KANSAS

Schedule 2

General Fund

Schedule of Receipts and Expenditures, Actual and Budget - Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	$ 434,073.79	$ 427,071.74	$ 434,023.00	$ (6,951.26)
Delinquent Tax	1,581.62	3,238.07	-	3,238.07
Motor Vehicle Tax	68,030.32	60,046.26	64,922.00	(4,875.74)
Recreational Vehicle Tax	809.35	591.09	876.00	(284.91)
16/20M Tax/Excise Tax	231.43	306.37	1,388.00	(1,081.63)
Local Alcoholic Liquor Tax	10,854.29	12,504.77	10,491.00	2,013.77
Local Sales Tax	190,042.21	209,141.89	215,000.00	(5,858.11)
Franchise Tax	65,691.39	57,446.64	70,000.00	(12,553.36)
Licenses, Permits, and Fees	7,606.41	31,604.20	45,000.00	(13,395.80)
Fines, Forfeitures, and Penalties	16,045.80	10,732.00	25,000.00	(14,268.00)
Interest	8,173.25	5,139.81	8,000.00	(2,860.19)
Cemetery Fees	2,800.00	3,275.00	1,500.00	1,775.00
Operating Transfers	16,270.30	-	1,554.00	(1,554.00)
Reimbursement	-	51,422.90	54,840.00	(3,417.10)
Other	98,676.00	29,257.65	40,000.00	(10,742.35)
Total Cash Receipts	920,886.16	901,778.39	$ 972,594.00	$ (70,815.61)
Total Expenditures (Page 5)	905,292.80	862,545.07	$ 967,652.00	$ (105,106.93)
Receipts Over (Under) Expenditures	15,593.36	39,233.32		
Unencumbered Cash, Beginning	6,889.79	22,483.15		
Unencumbered Cash, Ending	$ 22,483.15	$ 61,716.47		

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Expenditures				
General Government				
Personal Services	$ 69,692.59	$ 45,534.87	$ 93,500.00	$ (47,965.13)
Contractual Services	43,238.20	32,903.30	34,000.00	(1,096.70)
Commodities	23,895.89	20,780.59	29,000.00	(8,219.41)
Capital Outlay	710.00	2,881.97	1,500.00	1,381.97
Economic Development	6,000.00	6,000.00	6,300.00	(300.00)
Other	-	1,159.32	2,200.00	(1,040.68)
Police Department				
Personal Services	190,325.46	184,565.18	207,400.00	(22,834.82)
Contractual Services	127,002.94	108,076.70	115,000.00	(6,923.30)
Commodities	27,425.32	30,284.26	28,000.00	2,284.26
Capital Outlay	-	1,677.05	4,565.00	(2,887.95)
Other	140.00	4,308.87	5,250.00	(941.13)
Streets and Highway Department				
Personal Services	100,535.18	102,284.91	110,390.00	(8,105.09)
Contractual Services	44,571.92	66,083.32	75,150.00	(9,066.68)
Commodities	145,602.78	155,067.35	45,000.00	110,067.35
Capital Outlay	-	479.47	68,340.00	(67,860.53)
Park Department				
Personal Services	51,975.31	35,332.05	56,571.00	(21,238.95)
Contractual Services	32,057.83	33,222.00	42,650.00	(9,428.00)
Commodities	10,288.22	18,042.54	15,500.00	2,542.54
Other	-	-	1,000.00	(1,000.00)
Other Departments				
Personal Services	4,599.00	3,309.38	3,500.00	(190.62)
Contractual Services	2,793.71	2,983.17	2,400.00	583.17
Commodities	1,738.45	2,568.77	475.00	2,093.77
Capital Outlay	-	-	32.00	(32.00)
Neighborhood Revitalization Rebate	-	-	2,429.00	(2,429.00)
Opertating Transfers	22,700.00	5,000.00	17,500.00	(12,500.00)
Total Expenditures	905,292.80	862,545.07	$ 967,652.00	$ (105,106.93)

CITY OF SENECA, KANSAS

Library Fund

Schedule of Receipts and Expenditures, Actual and Budget - Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	$ 86,759.89	$ 103,355.36	$ 107,139.00	$ (3,783.64)
Delinquent Tax	347.29	803.01	620.00	183.01
Motor Vehicle Tax	14,698.54	13,578.06	12,972.00	606.06
Recreational Vehicle Tax	174.86	118.11	175.00	(56.89)
16/20M Tax/Excise Tax	50.00	62.35	277.00	(214.65)
Total Cash Receipts	102,030.58	117,916.89	$ 121,183.00	$ (3,266.11)
Expenditures				
Appropriations	102,030.58	117,916.89	$ 120,891.00	$ (2,974.11)
Neighborhood Revitalization Rebate	-	-	600.00	(600.00)
Total Expenditures	102,030.58	117,916.89	$ 121,491.00	$ (3,574.11)
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	$ -	$ -		

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	$ 22,521.88	$ 17,236.44	$ 17,856.00	$ (619.56)
Delinquent Tax	69.48	166.80	200.00	(33.20)
Motor Vehicle Tax	2,940.31	3,493.35	3,359.00	134.35
Recreational Vehicle Tax	34.98	30.58	45.00	(14.42)
16/20M Tax/Excise Tax	10.00	15.59	72.00	(56.41)
Interest	657.58	451.60	1,000.00	(548.40)
Reimbursement	-	3,000.00	-	3,000.00
Other	-	145.20	-	145.20
Total Cash Receipts	26,234.23	24,539.56	$ 22,532.00	$ 2,007.56
Expenditures				
Commodities	6,918.94	8,230.51	$ 8,375.00	$ (144.49)
Contractual Services	139.00	1,101.43	1,150.00	(48.57)
Insurance and Bonds	3,663.25	4,141.75	-	4,141.75
Capital Outlay	18,200.69	20,518.22	53,043.00	(32,524.78)
Neighborhood Revitalization Rebate	-	-	100.00	(100.00)
Total Expenditures	28,921.88	33,991.91	$ 62,668.00	$ (28,676.09)
Receipts Over (Under) Expenditures	(2,687.65)	(9,452.35)		
Unencumbered Cash, Beginning	42,130.93	39,443.28		
Unencumbered Cash, Ending	$ 39,443.28	$ 29,990.93		

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	$ 17,358.91	$ 17,236.22	$ 17,856.00	$ (619.78)
Delinquent Tax	69.48	160.65	200.00	(39.35)
Motor Vehicle Tax	2,940.31	2,716.69	2,594.00	122.69
Recreational Vehicle Tax	34.98	23.63	35.00	(11.37)
16/20M Tax/Excise Tax	10.00	12.27	55.00	(42.73)
Total Cash Receipts	20,413.68	20,149.46	$ 20,740.00	$ (590.54)
Expenditures				
County Economic Development	4,825.00	8,893.83	$ 58,994.00	$ (50,100.17)
Neighborhood Revitalization Rebate	-	-	100.00	(100.00)
Total Expenditures	4,825.00	8,893.83	$ 59,094.00	$ (50,200.17)
Receipts Over (Under) Expenditures	15,588.68	11,255.63		
Unencumbered Cash, Beginning	28,231.31	43,819.99		
Unencumbered Cash, Ending	$ 43,819.99	$ 55,075.62		

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Delinquent Tax	$ -	$ -	$ 500.00	$ (500.00)
Operating Transfers	15,770.01	-	$ 1,554.00	$ (1,554.00)
Receipts Over (Under) Expenditures	(15,770.01)	-		
Unencumbered Cash, Beginning	17,675.87	1,905.86		
Unencumbered Cash, Ending	$ 1,905.86	$ 1,905.86		

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Cash Receipts				
Rural Fire Contracts	$ 16,089.14	$ 32,496.05	$ 19,000.00	$ 13,496.05
Interest	286.51	175.82	300.00	124.18
Total Cash Receipts	16,375.65	32,671.87	$ 19,300.00	$ 13,371.87
Expenditures				
Gas and Oil	1,811.56	3,018.61	$ -	$ 3,018.61
Builiding Maintenance	282.50	558.53	-	558.53
Operating Supplies	2,698.75	1,711.25	1,500.00	211.25
Utilities	1,114.07	1,652.44	500.00	1,152.44
Repairs & Maintenance	3,205.53	8,120.85	1,000.00	7,120.85
Insurance and Bonds	3,488.25	4,034.75	11,875.00	(7,840.25)
Professional Fees	-	74.00	-	74.00
Capital Outlay	-	7,668.75	24,287.00	(16,618.25)
Dispatch Support	-	2,041.92	-	2,041.92
Total Expenditures	12,600.66	28,881.10	$ 39,162.00	$ (10,280.90)
Receipts Over (Under) Expenditures	3,774.99	3,790.77		
Unencumbered Cash, Beginning	16,078.91	19,853.90		
Unencumbered Cash, Ending	$ 19,853.90	$ 23,644.67		

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Cash Receipts	$ -	$ 860.00	$ 750.00	$ 110.00
Expenditures	-	1,680.86	$ 5,716.00	$ (4,035.14)
Receipts Over (Under) Expenditures	-	(820.86)		
Unencumbered Cash, Beginning	4,265.97	4,265.97		
Unencumbered Cash, Ending	$ 4,265.97	$ 3,445.11		

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
Cash Receipts				
State Payments	$ -	$ 51,422.90	$ 54,840.00	$ (3,417.10)
Expenditures				
Capital Improvements	-	51,422.90	$ 54,840.00	$ (3,417.10)
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	1,050.32	1,050.32		
Unencumbered Cash, Ending	$ 1,050.32	$ 1,050.32		

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Cash Receipts				
Local Alcoholic Liquor Tax	$ 10,854.29	$ 12,379.77	$ 10,490.00	$ 1,889.77
Other	-	-	2,000.00	-
Total Cash Receipts	10,854.29	12,379.77	$ 12,490.00	$ 1,889.77
Expenditures				
Repairs and Maintenance	1,036.50	352.55	$ 3,025.00	$ (2,672.45)
Maintenance Expense	452.92	385.83	6,200.00	(5,814.17)
Capital Outlay	7,402.46	3,137.97	12,786.00	(9,648.03)
Other	111.95	-	-	-
Total Expenditures	9,003.83	3,876.35	$ 22,011.00	$ (18,134.65)
Receipts Over (Under) Expenditures	1,850.46	8,503.42		
Unencumbered Cash, Beginning	11,889.34	13,739.80		
Unencumbered Cash, Ending	$ 13,739.80	$ 22,243.22		

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest	$ 65.99	$ 49.25
Expenditures	-	-
Receipts Over (Under) Expenditures	65.99	49.25
Unencumbered Cash, Beginning	5,080.84	5,146.83
Unencumbered Cash, Ending	$ 5,146.83	$ 5,196.08

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Operating Transfers	$ 263,781.85	$ 525,324.83
Other	-	26,263.80
Interest	2.66	4.42
Total Cash Receipts	263,784.51	551,593.05
Expenditures		
Capital Improvements	141,918.31	405,632.80
Operating Transfers	4,433.28	75,533.75
Total Expenditures	146,351.59	481,166.55
Receipts Over (Under) Expenditures	117,432.92	70,426.50
Unencumbered Cash, Beginning	38,410.36	155,843.28
Unencumbered Cash, Ending	$ 155,843.28	$ 226,269.78

CITY OF SENECA, KANSAS
Special Park Improvement Fund
Schedule of Receipts and Expenditures, Actual - Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Gift	$ -	$ -
Expenditures		
Capital Outlay	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	359.18	359.18
Unencumbered Cash, Ending	$ 359.18	$ 359.18

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Delinquent Tax	$ -	$ 64.76	$ -	$ 64.76
Operating Transfers	-	-	$ 219.00	$ (219.00)
Receipts Over (Under) Expenditures	-	64.76		
Unencumbered Cash, Beginning	219.09	219.09		
Unencumbered Cash, Ending	$ 219.09	$ 283.85		

CITY OF SENECA, KANSAS

Ambulance Fund

Schedule of Receipts and Expenditures, Actual and Budget - Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
Cash Receipts				
Ambulance Calls	$ 34,034.30	$ 3,870.00	$ 45,000.00	$ (41,130.00)
Fees	10,887.30	11,871.60	13,000.00	(1,128.40)
Operating Transfers	22,700.00	5,000.00	17,500.00	(12,500.00)
	67,621.60	20,741.60	$ 75,500.00	$ (54,758.40)
Expenditures				
Personal Services	120.00	-	$ -	$ -
Contractual Services	1,331.00	3,324.58	77,944.00	(74,619.42)
Commodities	10,865.95	1,814.27	-	1,814.27
Subsidy and Contract	60,950.00	1,600.00	-	1,600.00
Total Expenditures	73,266.95	6,738.85	$ 77,944.00	$ (71,205.15)
Receipts Over (Under) Expenditures	(5,645.35)	14,002.75		
Unencumbered Cash, Beginning	5,393.96	(251.39)		
Unencumbered Cash, Ending	$ (251.39)	$ 13,751.36		

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Cash Receipts				
Water Sales	$ 350,011.39	$ 400,549.39	$ 370,000.00	$ 30,549.39
Service	14,865.97	6,022.26	15,000.00	(8,977.74)
Other	1,390.23	1,578.32	-	1,578.32
Interest	8,010.78	5,264.10	4,500.00	764.10
Total Cash Receipts	374,278.37	413,414.07	$ 389,500.00	$ 23,914.07
Expenditures				
Transmission and Distribution				
Personal Services	143,176.57	154,216.69	$ 143,750.00	$ 10,466.69
Contractual Services	63,894.96	624.50	27,500.00	(26,875.50)
Commodities	29,677.64	37,553.27	56,750.00	(19,196.73)
Capital Outlay	-	4,188.38	243,225.00	(239,036.62)
Administrative and General				
Contractual Services	669.50	66,649.64	250.00	66,399.64
Commodities	39,413.12	69,533.16	20,850.00	48,683.16
Capital Outlay	5,434.41	-	30,500.00	(30,500.00)
Other	80.00	-	-	-
Revolving Loan - Principal	51,036.86	75,143.07	49,644.00	25,499.07
Revolving Loan - Interest	48,360.33	60,544.87	43,556.00	16,988.87
Total Expenditures	381,743.39	468,453.58	$ 616,025.00	$ (147,571.42)
Receipts Over (Under) Expenditures	(7,465.02)	(55,039.51)		
Unencumbered Cash, Beginning	307,747.78	300,282.76		
Unencumbered Cash, Ending	$ 300,282.76	$ 245,243.25		

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
Cash Receipts				
Meter Deposits	$ 6,670.00	$ 7,175.00	$ 6,500.00	$ 675.00
Expenditures				
Meter Deposits Refunded	5,350.00	4,135.00	$ 58,181.00	$ (54,046.00)
Receipts Over (Under) Expenditures	1,320.00	3,040.00		
Unencumbered Cash, Beginning	51,680.64	53,000.64		
Unencumbered Cash, Ending	$ 53,000.64	$ 56,040.64		

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Cash Receipts				
Sewer Service Charges	$ 129,618.21	$ 133,145.65	$ 135,700.00	$ (2,554.35)
Sewer Fee	456.98	1,496.90	500.00	996.90
Operating Transfers	4,433.28	-	-	-
Other	6.91	5.06	-	5.06
Total Cash Receipts	134,515.38	134,647.61	$ 136,200.00	$ (1,552.39)
Expenditures				
Personal Services	32,765.23	34,138.10	$ 32,800.00	$ 1,338.10
Contractual Services	5,600.88	6,414.58	8,790.00	(2,375.42)
Commodities	21,889.71	46,114.28	20,400.00	25,714.28
Capital Outlay	69,885.64	242.99	25,000.00	(24,757.01)
Principal	-	40,956.11	40,957.00	(0.89)
Interest	-	19,667.83	19,667.00	0.83
Other	-	-	500.00	(500.00)
Total Expenditures	130,141.46	147,533.89	$ 148,114.00	$ (580.11)
Receipts Over (Under) Expenditures	4,373.92	(12,886.28)		
Unencumbered Cash, Beginning	47,492.64	51,866.56		
Unencumbered Cash, Ending	$ 51,866.56	$ 38,980.28		

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Cash Receipts				
Electric Sales	$ 2,944,142.67	$ 3,092,755.87	$ 3,023,750.00	$ 69,005.87
Franchise Fee	86,705.73	91,032.38	88,410.00	2,622.38
Interest	19,214.25	16,425.79	22,000.00	(5,574.21)
Service	62,696.52	65,566.66	70,725.00	(5,158.34)
Penalties	7,691.34	7,775.23	7,900.00	(124.77)
Other	7,585.65	2,204.42	500.00	1,704.42
Total Cash Receipts	3,128,036.16	3,275,760.35	$ 3,213,285.00	$ 62,475.35
Expenditures				
Production				
Contractual Services	2,145,413.38	2,316,235.47	$ 2,085,875.00	$ 230,360.47
Transmission and Distribution				
Personal Services	214,422.09	209,212.17	203,850.00	5,362.17
Contractual Services	125,872.46	97,923.30	121,500.00	(23,576.70)
Commodities	120,258.56	103,612.52	119,675.00	(16,062.48)
Capital Outlay	146,480.62	3,175.59	225,000.00	(221,824.41)
Other	285.00	8,978.12	-	8,978.12
Administration				
Personal Services	-	-	60.00	(60.00)
Contractual Services	3,400.23	46,551.61	2,250.00	44,301.61
Commodities	7,989.07	9,559.11	13,100.00	(3,540.89)
Capital Outlay	-	-	2,000.00	(2,000.00)
Non-Operating Expenditures				
Operating Transfers	263,781.85	339,210.83	382,000.00	(42,789.17)
Total Expenditures	3,027,903.26	3,134,458.72	$ 3,155,310.00	$ (20,851.28)
Receipts Over (Under) Expenditures	100,132.90	141,301.63		
Unencumbered Cash, Beginning	1,182,007.85	1,282,140.75		
Unencumbered Cash, Ending	$ 1,282,140.75	$ 1,423,442.38		

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Cash Receipts				
Gate Receipts	$ 25,230.94	$ 23,271.00	$ 28,000.00	$ (4,729.00)
Seasonal and Daily Passes	25,680.00	25,650.00	29,675.00	(4,025.00)
Concessions	14,707.75	14,892.75	16,555.00	(1,662.25)
Pool Rental	2,737.50	2,447.50	3,565.00	(1,117.50)
Swim Lessions	10,760.00	11,189.00	9,676.00	1,513.00
Operating Transfers	65,950.00	50,000.00	100,000.00	(50,000.00)
Other	75.00	-	-	-
Total Cash Receipts	145,141.19	127,450.25	$ 187,471.00	$ (60,020.75)
Expenditures				
Personal Services	73,402.68	73,797.16	$ 74,500.00	$ (702.84)
Employee Benefits	9,622.02	11,476.90	9,750.00	1,726.90
Contractual Services	7,478.33	8,078.18	10,510.00	(2,431.82)
Commodities	23,156.72	28,101.04	19,000.00	9,101.04
Capital Outlay	39,371.74	6,050.47	141,513.00	(135,462.53)
Total Expenditures	153,031.49	127,503.75	$ 255,273.00	$ (127,769.25)
Receipts Over (Under) Expenditures	(7,890.30)	(53.50)		
Unencumbered Cash, Beginning	28,186.54	20,296.24		
Unencumbered Cash, Ending	$ 20,296.24	$ 20,242.74		

CITY OF SENECA, KANSAS
Golf Club Capital Improvement Fund
Schedule of Receipts and Expenditures, Actual - Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts	$ -	$ -
Operating Transfer	500.29	-
Receipts Over (Under) Expenditures	(500.29)	-
Unencumbered Cash, Beginning	500.29	-
Unencumbered Cash, Ending	$ -	$ -

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

	Prior Year Actual	Current Year Actual
Cash Receipts		
Sales Tax	$ 581,958.20	$ 624,904.01
Interest	24,272.25	23,920.86
Total Cash Receipts	606,230.45	648,824.87
Expenditures		
Lease - Principal	135,000.00	145,000.00
Lease - Interest	151,690.00	146,492.50
Operating Transfers	65,950.00	236,114.00
Total Expenditures	352,640.00	527,606.50
Receipts Over (Under) Expenditures	253,590.45	121,218.37
Unencumbered Cash, Beginning	1,250,239.61	1,503,830.06
Unencumbered Cash, Ending	$ 1,503,830.06	$ 1,625,048.43

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

	Prior Year Actual	Current Year Actual
Cash Receipts	$ -	
Expenditures	4,433.34	-
Receipts Over (Under) Expenditures	(4,433.34)	-
Unencumbered Cash, Beginning	4,453.34	20.00
Unencumbered Cash, Ending	$ 20.00	$ 20.00

CITY OF SENECA, KANSAS
3rd Street Project Fund
Schedule of Receipts and Expenditures, Actual - Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Operating Transfer	$ -	$ 75,533.75
Expenditures		
Principal	-	65,000.00
Interest	-	20,742.50
Bond Issue Cost	19,838.56	-
Capital Outlay	296,228.35	-
Total Expenditures	316,066.91	85,742.50
Receipts Over (Under) Expenditures	(316,066.91)	(10,208.75)
Unencumbered Cash, Beginning	363,305.70	47,238.79
Unencumbered Cash, Ending	$ 47,238.79	$ 37,030.04

CITY OF SENECA, KANSAS
Main Street Project Fund
Schedule of Receipts and Expenditures, Actual - Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Bond Proceeds	$ 880,000.00	$ -
Reimbursement	-	5,320.20
Federal Aid	-	832,711.78
State Aid	297,726.07	-
Total Cash Receipts	1,177,726.07	838,031.98
Expenditures		
Principal	-	65,000.00
Interest	-	33,370.46
Capital Outlay	730,081.22	1,138,391.86
Total Expenditures	730,081.22	1,236,762.32
Receipts Over (Under) Expenditures	447,644.85	(398,730.34)
Unencumbered Cash, Beginning	-	447,644.85
Unencumbered Cash, Ending	$ 447,644.85	$ 48,914.51

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

	Prior Year Actual	Current Year Actual
Fines, Forfeitures, and Penalties	$ 2,100.00	$ 950.00
Expenditures	-	-
Receipts Over (Under) Expenditures	2,100.00	950.00
Unencumbered Cash, Beginning	-	2,100.00
Unencumbered Cash, Ending	$ 2,100.00	$ 3,050.00

CITY OF SENECA, KANSAS
Agency Funds
Cemetery Trust Fund
Schedule of Receipts and Disbursements - Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts	$ -	$ -
Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	2,392.96	2,392.96
Unencumbered Cash, Ending	$ 2,392.96	$ 2,392.96

Convention & Tourism Fund
Schedule of Receipts and Disbursements - Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transient Guest Tax	$ 17,469.80	$ 18,267.11
Other	172.01	-
	17,641.81	18,267.11
Expenditures		
Convention and Tourism	12,235.53	17,175.00
Receipts Over (Under) Expenditures	5,406.28	1,092.11
Unencumbered Cash, Beginning	5,001.83	10,408.11
Unencumbered Cash, Ending	$ 10,408.11	$ 11,500.22
Total Agency Funds	$ 12,801.07	$ 13,893.18

CITY OF SENECA, KANSAS
Related Municpal Entity
Seneca Free Library
Schedule of Receipts and Expenditures, Actual - Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
State Aid	$ 976.00	$ 848.00
City Appropriations	102,030.58	117,916.89
Northeast Kansas Library	16,525.00	17,435.00
Contributions and Memorials	1,945.00	2,313.20
Grants	232.00	-
Interest	572.79	274.47
Other	5,015.57	4,989.09
Total Cash Receipts	127,296.94	143,776.65
Expenditures		
Salaries	59,690.61	62,011.50
Payroll Taxes	4,516.17	5,937.20
Employee Retirement	3,324.51	3,518.40
Books, Subscriptions and Videos	28,089.71	30,718.70
Telephone and Utilities	2,942.51	1,961.97
Mileage	1,122.52	1,226.19
Bookbinding and Office Supplies	1,613.00	3,232.48
Lawn Care and Repairs	6,033.25	3,644.21
Supplies	6,164.31	3,754.74
Adult and Childrens Programming	2,539.13	3,827.00
Technology	5,582.46	5,724.09
Capital Outlay	2,607.18	6,830.00
Fire Alarm Maintenance	-	615.00
Other	693.61	1,390.81
Total Expenditures	124,918.97	134,392.29
Receipts Over (Under) Expenditures	2,377.97	9,384.36
Unencumbered Cash, Beginning	56,335.80	58,713.77
Unencumbered Cash, Ending	$ 58,713.77	$ 68,098.13

CITY OF SENECA, KANSAS

SINGLE AUDIT SECTION

December 31, 2012

CITY OF SENECA, KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Schedule 5

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Program Year	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Transportation:				
Pass-through program from Kansas Department of Transportation				
Highway Planning and Construction (Federal Aid Highway Program)	2012	20.205	TE-0361-01	$ 832,711.78

See accompanying notes to schedule of expenditures of federal awards.

CITY OF SENECA, KANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Note 1 Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Seneca, Kansas and is presented on the regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statement.

Regulatory Basis of Accounting. The regulatory basis of accounting, as used in the preparation of these regulatory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

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

Departure from Accounting Principles Generally Accepted in the United States of America. The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid 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 generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the district are not presented in the financial statesments. 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.

CITY OF SENECA, KANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2012

FINDINGS - FINANCIAL STATEMENT AUDIT

2011-1 Significant Deficiency

Condition: City of Seneca, Kansas maintains financial records which accurately report revenues and expenditures throughout the year and prepares year end adjusting and closing entries necessary to prepare the financial statement in accordance with accounting practices prescribed or permitted by the State of Kansas. The City does not prepare the related notes and disclosures to the financial statement.

Criteria: Accounting personnel should have adequate training and skills to be able to prepare the financial statement and the related notes to the financial statement.

Effect: City of Seneca relies on auditor assistance to prepare the financial statement in the format mandated by the *Kansas Municipal Audit and Accounting Guide* as well as to prepare the related notes to the financial statement.

Recommendation: The auditor recommended that City of Seneca weigh the costs of correcting the deficiency versus the benefits.

Response: This is not uncommon in relatively small units of government and is considered financially impractical.

STATUS OF FINDING

City of Seneca has sent an administrator to a *Kansas Municipal Audit and Accounting Guide* seminar in the past and expects to send the new city administrator in the future. However, the City does not yet have a policy in place to prepare the financial statement internally, thus the City still relies on auditor assistance.

CITY OF SENECA, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statement of City of Seneca which is prepared using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America.

2. One significant deficiency disclosed during the audit of the financial statement is reported in the schedule of findings and questioned costs. The deficiency disclosed was not considered a material weakness.

3. No instances of noncompliance material to the financial statement of City of Seneca, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. The auditor's report on compliance for the major federal award program for City of Seneca expresses an unqualified opinion on all major federal programs.

5. There were no audit findings relative to the major federal award program for City of Seneca.

IDENTIFICATION OF MAJOR PROGRAMS

6. The program tested as a major program include:

   20.205 Highway Planning and Construction

7. The threshold for distinguishing between Type A and B programs was $300,000.00.

8. City of Seneca did not qualify as a low-risk auditee under OMB Circular A-133.

CITY OF SENECA, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Schedule 7

FINDINGS - FINANCIAL STATEMENT AUDIT

2012-1 Significant Deficiency

Condition: Our firm has been asked to prepare the financial statement for City of Seneca, however, our firm cannot be considered part of the internal control structure of the City in regard to the preparation of the financial statement.

Criteria: City of Seneca prepares its financial statement in accordance with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, in accordance with the reporting and formatting requirements displayed in the *Kansas Municipal Audit and Accounting Guide*.

Effect: We consider this condition related to the external financial statement and other supplementary information to be a significant deficiency under the standards established by the American Institute of Certified Public Accountants.

Cause: City personnel do have the skill and knowledge to process all the financial transactions and the ablility to issue the internal financial statements needed to provide appropriate budget and operating information to the City's governing body when needed. Also, a member of the City staff has attended a *Kansas Municipal Audit and Accounting Guide* traning session, however, the City has no policy or procedures related to the preparation of the external financial statement.

Recommendation: To strengthen internal control over financial statement preparation, we recommend obtaining a current copy of the *Kansas Municipal Audit and Accounting Guide* and adopt a policy that the annual financial statement will be reviewed prior to being subjected to an audit.

CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2012

Schedule 8

None required.