

CITY OF THAYER, KANSAS

Financial Statement and
Independent Auditors' Report with
Supplemental Information

For the Year Ended December 31, 2012

CITY OF THAYER, KANSAS

December 31, 2012

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JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Thayer, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Thayer, 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 Thayer, 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 Thayer, 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 Thayer, 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 Regulatory Required 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, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2 and 3 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
Certified Public Accountants

June 24, 2013
Chanute, Kansas

CITY OF THAYER, 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		Encumbrances and Accounts Payable	Cash Balance December 31, 2012
	\$	(13,816.96)			\$	\$		
General	\$	(13,816.96)	\$ 135,269.99	\$ 119,032.54	\$	2,420.49	\$ 2,694.21	\$ 5,114.70
Special Purpose Funds:								
Employee Benefits		19,961.82	13,729.25	17,294.10		16,396.97	-	16,396.97
Library		-	11,320.72	11,320.72		-	-	-
Museum		-	3,626.24	3,626.24		-	-	-
Special Liability		15,715.90	8,604.07	20,595.00		3,724.97	-	3,724.97
Special Parks and Recreation		71.34	5,700.66	5,434.00		338.00	446.68	784.68
Consolidated Streets		169,266.94	76,611.91	9,145.13		236,733.72	644.50	237,378.22
Bond and Interest Funds:								
G.O. Bond and Interest		7,090.15	27,917.88	23,950.00		11,058.03	-	11,058.03
Business Funds:								
Water Utility		(151,576.64)	159,182.62	146,590.60		(138,984.62)	18,174.19	(120,810.43)
Sewer Utility		16,972.91	31,035.99	20,337.63		27,671.27	180.56	27,851.83
Solid Waste Utility		(14,525.68)	50,080.14	35,366.30		188.16	2,944.20	3,132.36
Total Reporting Entity		\$ 49,159.78	\$ 523,079.47	\$ 412,692.26		\$ 159,546.99	\$ 25,084.34	\$ 184,631.33
(Excluding Agency Funds)								
Composition of Cash:								
Cash on Hand								\$ 50.04
Checking Accounts								
Petty Cash								315.76
General Investments								97,595.72
Certificates of Deposit								87,028.11
Total Cash								184,989.63
Less Agency Funds - Schedule 3								(358.30)
Total Reporting Entity								\$ 184,631.33
(Less Agency Funds)								

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

CITY OF THAYER, KANSAS

Notes to Financial Statement
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of Thayer, 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 generally accepted accounting principles.

Financial Reporting Entity

The City of Thayer, Kansas, is a municipal corporation governed by an elected five-member council. This financial statement presents the City of Thayer.

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). Based upon the application of this criterion, the following is a brief review of potential related municipal entities:

The City of Thayer - Public Library - The City of Thayer, Kansas, Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Bond issuances must also be approved by the City. The City levies taxes for the Library Board and significantly influences the Library's operations. Separately internal financial statements are available at the Library.

The City of Thayer - Public Museum - The City of Thayer, Kansas, Museum Board operates the City's public museum. Acquisition or disposition of real property by the Board must be approved by the City. Bond issuances must also be approved by the City. The City levies taxes for the Museum Board and significantly influences the Museum's operations. Separately internal financial statements are available at the Museum.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Thayer, 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.

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.)

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

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.

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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 of the full amount of 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 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.

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.

Budgetary Information

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

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper 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 for this year.

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

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the 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.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information (Continued)

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

Park and Community Building Project 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.

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1 the City was in apparent violation of K.S.A. 10-1,113 as the City has obligated expenditures in excess of available funds in the Water Utility Fund. As shown in Schedule 1, the City was in apparent violation of 79-2934. The City has obligated expenditures in excess of budgetary limits in the Special Parks and Recreation Fund.

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 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 – 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 City's carrying amount of deposits was \$184,939.59 and the bank balance was \$155,489.65. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$155,489.65 was covered by FDIC insurance.

4. 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.

5. COMPENSATED ABSENCES

Regular employees earn and accumulate vacation leave as follows:

- After One Full Year of Employment – 5 days
- Two to Ten Years of Employment – 10 days
- Ten to Twenty Years of Employment – 15 days
- After Twenty Years of Employment – 20 days

Vacation days must be used during the service year earned.

Regular employees earn and accumulate sick leave from the beginning of employment at the rate of four days per year. Any unused sick leave at date of termination is lost.

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

1. The City's obligation relating to employees rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and, is material.

In accordance with the above criteria, the City has estimated a liability for annual leave which has been earned, but not taken, by City at December 31, 2012 to be \$1,358.00. The City has not estimated a liability for sick leave earned, but not taken, by City employees, as the amounts cannot be reasonably estimated.

6. OTHER POST EMPLOYMENT BENEFITS

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the Federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

6. 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
General Obligation									
Paid with Tax Levies									
Series 2004 - General Obligation									
Refunding Bonds	2.00-4.30%	December 29, 2004	\$ 225,000.00	September 15, 2015	\$ 95,000.00	\$ -	\$ 20,000.00	\$ 75,000.00	\$ 3,950.00
Capital Leases									
Fire Equipment	6.30%	October 20, 2000	76,936.12	October 20, 2013	9,849.84	-	-	9,849.84	-
Community Building	5.00%	September 23, 2011	57,000.00	July 31, 2021	57,000.00	-	4,762.49	52,237.51	2,568.90
Total Long-Term Debt Commitments					\$ 161,849.84	\$ -	\$ 24,762.49	\$ 137,087.35	\$ 6,518.90

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	2018-2021	Totals
Principal							
General Obligation							
Series 2004 - General Obligation							
Refunding Bonds	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ -	\$ -	\$ -	\$ 75,000.00
Capital Leases							
Fire Equipment	9,849.84	-	-	-	-	-	9,849.84
Community Building	4,726.15	4,962.46	5,210.58	5,471.11	5,744.67	26,122.54	52,237.51
Total Principal	39,575.99	29,962.46	30,210.58	5,471.11	5,744.67	26,122.54	137,087.35
Interest							
General Obligation							
Series 2004 - General Obligation							
Refunding Bonds	3,150.00	2,125.00	1,075.00	-	-	-	6,350.00
Capital Leases							
Fire Equipment	960.07	-	-	-	-	-	960.07
Community Building	2,605.24	2,368.93	2,120.81	1,860.28	1,586.72	3,203.02	13,745.00
Total Interest	6,715.31	4,493.93	3,195.81	1,860.28	1,586.72	3,203.02	21,055.07
Total Payments	\$ 46,291.30	\$ 34,456.39	\$ 33,406.39	\$ 7,331.39	\$ 7,331.39	\$ 29,325.56	\$ 158,142.42

8. CAPITAL LEASE OBLIGATIONS

The City originally entered into a capital lease agreement in order to finance the purchase of fire equipment. Payments are made of \$8,520.06 annually, including interest at 6.30%. In 2010, the note was amended and principal was added with the agreement the payments would remain the same until paid in full. In 2012, no payments were made on this capital lease obligation. Final maturity for the lease is now extended to 2013. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2013	\$ 10,809.91
	10,809.91
Less imputed interest	(960.07)
Net Present Value of Minimum Lease Payments	9,849.84
Less: Current Maturities	(9,849.84)
Long-Term Capital Lease Obligations	<u>\$ -</u>

The City has entered into a capital lease agreement in order to finance the construction of a community building. Payments are made of \$7,331.39 annually, including interest at 5.0%. Final maturity for the lease is in 2021. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2013	\$ 7,331.39
2014	7,331.39
2015	7,331.39
2016	7,331.39
2017	7,331.39
2018-2021	<u>29,325.56</u>
	65,982.51
Less imputed interest	(13,745.00)
Net Present Value of Minimum Lease Payments	52,237.51
Less: Current Maturities	(4,726.15)
Long-Term Capital Lease Obligations	<u>\$ 47,511.36</u>

9. 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.

10. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	Special Parks and Recreation	K.S.A. 79-259	\$ 4,369.39
Water Utility	Solid Waste Utility	K.S.A. 12-825d	12,000.00
Water Utility	G.O. Bond and Interest	K.S.A. 12-825d	13,000.00

11. OTHER COMMITMENTS AND CONCENTRATIONS

In November 2003, the City entered into a forty year purchase agreement with Public Wholesale Water Supply District #23 for the purchase of water. The City has agreed to purchase 2 million gallons of water per month at a set rate.

During the year ended December 31, 2012, the City purchased 100% of the water sold from Public Wholesale Water Supply District #23.

During the year ended December 31, 2012, the City sold 34.43% of water purchased to Rural Water District #5.

12. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent to year end, and there were no subsequent events requiring recognition in the financial statement. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTAL INFORMATION

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

Funds	Total Certified Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
General	\$ 160,300.00	\$ 119,032.54	\$ (41,267.46)
Special Purpose Funds:			
Employee Benefits	30,000.00	17,294.10	(12,705.90)
Library	11,880.00	11,320.72	(559.28)
Museum	3,779.00	3,626.24	(152.76)
Special Liability	23,500.00	20,595.00	(2,905.00)
Special Parks and Recreation	2,429.00	5,434.00	3,005.00
Consolidated Streets	224,354.00	9,145.13	(215,208.87)
Bond and Interest Funds:			
G.O. Bond and Interest	29,450.00	23,950.00	(5,500.00)
Business Funds:			
Water Utility	147,500.00	146,590.60	(909.40)
Sewer Utility	41,943.00	20,337.63	(21,605.37)
Solid Waste Utility	41,996.00	35,366.30	(6,629.70)

CITY OF THAYER, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 16,461.74	\$ 23,179.71	\$ 24,741.00	\$ (1,561.29)
Delinquent Tax	183.40	953.25	403.00	550.25
Motor Vehicle Tax	4,496.62	5,222.36	5,919.00	(696.64)
Recreational Vehicle Tax	60.44	44.31	85.00	(40.69)
16/20M Tax	185.16	175.87	209.00	(33.13)
Sales Tax	65,510.63	3,209.68	65,075.00	(61,865.32)
Alcohol Liquor Tax	1,095.42	1,331.28	829.00	502.28
Franchise Tax	23,764.50	22,509.12	23,000.00	(490.88)
Licenses and Permits				
Other Licenses and Permits	768.75	310.00	-	310.00
Fines, Forfeitures, and Penalties	36,640.50	42,830.93	36,040.00	6,790.93
Use of Money and Property				
Interest	429.23	276.61	-	276.61
Rental Income	625.00	1,900.00	-	1,900.00
Capital Lease Proceeds	57,000.00	-	44,000.00	(44,000.00)
Charges for Services				
Fire Contracts	12,025.00	11,875.00	12,025.00	(150.00)
Other Revenues				
Insurance Bond Proceeds	-	20,000.00	-	20,000.00
Miscellaneous	537.20	1,451.87	-	1,451.87
Total Receipts	219,783.59	135,269.99	\$ 212,326.00	\$ (77,056.01)

CITY OF THAYER, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures				
General Government				
Personal Services	\$ 24,927.53	\$ 21,986.22	\$ 22,050.00	\$ (63.78)
Contractual Services	27,215.30	43,086.52	17,250.00	25,836.52
Commodities	5,568.08	8,827.45	14,500.00	(5,672.55)
Capital Outlay	583.06	1,900.00	1,300.00	600.00
Police	27,836.38	21,499.20	38,000.00	(16,500.80)
Fire	25,319.93	10,032.37	23,500.00	(13,467.63)
Lights	626.97	-	1,700.00	(1,700.00)
Debt Service - Lease Purchase	-	7,331.39	-	7,331.39
Operating Transfer to:				
Consolidated Streets Fund	37,874.48	-	42,000.00	(42,000.00)
Special Parks and Recreation Fund	-	4,369.39	-	4,369.39
Park and Community Building Project Fund	24,662.31	-	-	-
Total Expenditures	<u>174,614.04</u>	<u>119,032.54</u>	<u>\$ 160,300.00</u>	<u>\$ (41,267.46)</u>
Receipts Over (Under) Expenditures	45,169.55	16,237.45		
Unencumbered Cash, Beginning	<u>(58,986.51)</u>	<u>(13,816.96)</u>		
Unencumbered Cash, Ending	<u>\$ (13,816.96)</u>	<u>\$ 2,420.49</u>		

CITY OF THAYER, KANSAS
EMPLOYEE BENEFITS FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 10,350.93	\$ 8,691.89	\$ 9,277.00	\$ (585.11)
Delinquent Tax	189.77	833.58	431.00	402.58
Motor Vehicle Tax	5,899.00	3,965.38	3,721.00	244.38
Recreational Vehicle Tax	74.37	27.85	52.00	(24.15)
16/20M Tax	302.77	210.55	132.00	78.55
Total Receipts	<u>16,816.84</u>	<u>13,729.25</u>	<u>\$ 13,613.00</u>	<u>\$ 116.25</u>
Expenditures				
Employee Benefits				
Personal Services	<u>16,805.52</u>	<u>17,294.10</u>	<u>\$ 30,000.00</u>	<u>\$ (12,705.90)</u>
Total Expenditures	<u>16,805.52</u>	<u>17,294.10</u>	<u>\$ 30,000.00</u>	<u>\$ (12,705.90)</u>
Receipts Over (Under) Expenditures	11.32	(3,564.85)		
Unencumbered Cash, Beginning	<u>19,950.50</u>	<u>19,961.82</u>		
Unencumbered Cash, Ending	<u>\$ 19,961.82</u>	<u>\$ 16,396.97</u>		

CITY OF THAYER, 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		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 7,768.37	\$ 8,023.80	\$ 8,564.00	\$ (540.20)
Delinquent Tax	100.80	489.63	209.00	280.63
Motor Vehicle Tax	2,774.98	2,672.83	3,793.00	(1,120.17)
Recreational Vehicle Tax	38.52	20.90	39.00	(18.10)
16/20M Tax	99.33	113.56	99.00	14.56
Total Receipts	<u>10,782.00</u>	<u>11,320.72</u>	<u>\$ 12,704.00</u>	<u>\$ (1,383.28)</u>
Expenditures				
Culture and Recreation				
Appropriation to Library Board	10,782.00	11,320.72	\$ 11,880.00	\$ (559.28)
Total Expenditures	<u>10,782.00</u>	<u>11,320.72</u>	<u>\$ 11,880.00</u>	<u>\$ (559.28)</u>
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

CITY OF THAYER, KANSAS
MUSEUM FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 2,340.97	\$ 2,675.04	\$ 2,855.00	\$ (179.96)
Delinquent Tax	23.39	122.44	40.00	82.44
Motor Vehicle Tax	737.73	790.44	842.00	(51.56)
Recreational Vehicle Tax	10.70	6.29	12.00	(5.71)
16/20M Tax	20.96	32.03	30.00	2.03
Total Receipts	<u>3,133.75</u>	<u>3,626.24</u>	<u>\$ 3,779.00</u>	<u>\$ (152.76)</u>
Expenditures				
Culture and Recreation				
Appropriation to Museum Board	3,133.75	3,626.24	\$ 3,779.00	\$ (152.76)
Total Expenditures	<u>3,133.75</u>	<u>3,626.24</u>	<u>\$ 3,779.00</u>	<u>\$ (152.76)</u>
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

CITY OF THAYER, KANSAS
SPECIAL LIABILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 6,001.01	\$ 6,047.64	\$ 6,455.00	\$ (407.36)
Delinquent Tax	83.94	409.95	200.00	209.95
Motor Vehicle Tax	2,407.82	2,045.45	2,157.00	(111.55)
Recreational Vehicle Tax	30.11	16.13	30.00	(13.87)
16/20M Tax	126.73	84.90	77.00	7.90
Other Revenues				
Miscellaneous	993.92	-	-	-
Total Receipts	<u>9,643.53</u>	<u>8,604.07</u>	<u>\$ 8,919.00</u>	<u>\$ (314.93)</u>
Expenditures				
Risk Management				
Contractual Services	19,707.00	20,595.00	\$ 23,500.00	\$ (2,905.00)
Total Expenditures	<u>19,707.00</u>	<u>20,595.00</u>	<u>\$ 23,500.00</u>	<u>\$ (2,905.00)</u>
Receipts Over (Under) Expenditures	(10,063.47)	(11,990.93)		
Unencumbered Cash, Beginning	25,779.37	15,715.90		
Unencumbered Cash, Ending	<u>\$ 15,715.90</u>	<u>\$ 3,724.97</u>		

CITY OF THAYER, 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 Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
Alcohol Liquor Tax	\$ 1,095.41	\$ 1,331.27	\$ 829.00	\$ 502.27
Wildlife and Parks Grant	1,545.00	-	1,600.00	(1,600.00)
Operating Transfers from General Fund	-	4,369.39	-	4,369.39
Total Receipts	<u>2,640.41</u>	<u>5,700.66</u>	<u>\$ 2,429.00</u>	<u>\$ 3,271.66</u>
Expenditures				
Culture and Recreation				
Contractual Services	<u>2,760.35</u>	<u>5,434.00</u>	<u>\$ 2,429.00</u>	<u>\$ 3,005.00</u>
Total Expenditures	<u>2,760.35</u>	<u>5,434.00</u>	<u>\$ 2,429.00</u>	<u>\$ 3,005.00</u>
Receipts Over (Under) Expenditures	(119.94)	266.66		
Unencumbered Cash, Beginning	<u>191.28</u>	<u>71.34</u>		
Unencumbered Cash, Ending	<u>\$ 71.34</u>	<u>\$ 338.00</u>		

CITY OF THAYER, KANSAS
CONSOLIDATED STREETS FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
State Highway Payment	\$ 12,774.41	\$ 12,849.40	\$ 13,230.00	\$ (380.60)
Sales Tax	-	63,762.51	-	63,762.51
Operating Transfers from General Fund	37,874.48	-	42,000.00	(42,000.00)
Total Receipts	<u>50,648.89</u>	<u>76,611.91</u>	<u>\$ 55,230.00</u>	<u>\$ 21,381.91</u>
Expenditures				
Street Maintenance				
Personal Services	-	340.00	\$ 7,000.00	\$ (6,660.00)
Contractual Services	3,810.20	601.30	-	601.30
Capital Outlay	9,752.42	8,203.83	217,354.00	(209,150.17)
Total Expenditures	<u>13,562.62</u>	<u>9,145.13</u>	<u>\$ 224,354.00</u>	<u>\$ (215,208.87)</u>
Receipts Over (Under) Expenditures	37,086.27	67,466.78		
Unencumbered Cash, Beginning	<u>132,180.67</u>	<u>169,266.94</u>		
Unencumbered Cash, Ending	<u>\$ 169,266.94</u>	<u>\$ 236,733.72</u>		

CITY OF THAYER, KANSAS
PARK AND COMMUNITY BUILDING 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
Receipts		
Other Revenues		
Community Donations	\$ 11,900.00	\$ -
Operating Transfers from General Fund	24,662.31	-
Total Receipts	36,562.31	-
Expenditures		
Capital Improvements		
Contractual Services	484.29	-
Capital Outlay	16,283.05	-
Total Expenditures	16,767.34	-
Receipts Over (Under) Expenditures	19,794.97	-
Unencumbered Cash, Beginning	(19,794.97)	-
Unencumbered Cash, Ending	\$ -	\$ -

CITY OF THAYER, KANSAS
G.O. 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		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 9,919.43	\$ 10,507.40	\$ 11,215.00	\$ (707.60)
Delinquent Tax	218.52	872.14	625.00	247.14
Motor Vehicle Tax	3,328.20	3,372.58	3,566.00	(193.42)
Recreational Vehicle Tax	46.92	26.69	50.00	(23.31)
16/20M Tax	110.54	139.07	127.00	12.07
Use of Money and Property				
Interest Income	25.92	-	-	-
Operating Transfers from Water Utility Fund	13,000.00	13,000.00	13,000.00	-
Total Receipts	<u>26,649.53</u>	<u>27,917.88</u>	<u>\$ 28,583.00</u>	<u>\$ (665.12)</u>
Expenditures				
Debt Service				
Principal Payments	20,000.00	20,000.00	\$ 20,000.00	\$ -
Interest Payments	4,700.00	3,950.00	3,950.00	-
Cash Basis Reserve	-	-	5,500.00	(5,500.00)
Total Expenditures	<u>24,700.00</u>	<u>23,950.00</u>	<u>\$ 29,450.00</u>	<u>\$ (5,500.00)</u>
Receipts Over (Under) Expenditures	1,949.53	3,967.88		
Unencumbered Cash, Beginning	<u>5,140.62</u>	<u>7,090.15</u>		
Unencumbered Cash, Ending	<u>\$ 7,090.15</u>	<u>\$ 11,058.03</u>		

CITY OF THAYER, 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		Variance - Over (Under)
		Actual	Budget	
Receipts				
Charges for Services				
Water Sales	\$ 134,360.44	\$ 152,520.82	\$ 157,500.00	\$ (4,979.18)
Taxes	5,299.96	1,777.48	4,100.00	(2,322.52)
Penalties	1,849.06	2,950.66	1,700.00	1,250.66
Other Fees	1,255.00	1,716.66	650.00	1,066.66
Use of Money and Property				
Interest Income	43.80	-	100.00	(100.00)
Other Revenues				
Miscellaneous	-	217.00	-	217.00
Total Receipts	<u>142,808.26</u>	<u>159,182.62</u>	<u>\$ 164,050.00</u>	<u>\$ (4,867.38)</u>
Expenditures				
Production and Distribution				
Personal Services	19,635.53	20,549.67	\$ 27,000.00	\$ (6,450.33)
Contractual Services	8,769.66	5,308.75	8,500.00	(3,191.25)
Commodities	118,323.86	95,732.18	99,000.00	(3,267.82)
Capital Outlay	-	-	-	-
Operating Transfers to:				
G.O. Bond and Interest Fund	13,000.00	13,000.00	13,000.00	-
Water Utility Bond and Interest Fund	24,949.03	-	-	-
Solid Waste Utility Fund	-	12,000.00	-	12,000.00
Total Expenditures	<u>184,678.08</u>	<u>146,590.60</u>	<u>\$ 147,500.00</u>	<u>\$ (909.40)</u>
Receipts Over (Under) Expenditures	(41,869.82)	12,592.02		
Unencumbered Cash, Beginning	<u>(109,706.82)</u>	<u>(151,576.64)</u>		
Unencumbered Cash, Ending	<u>\$ (151,576.64)</u>	<u>\$ (138,984.62)</u>		

CITY OF THAYER, KANSAS
WATER UTILITY 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		Variance - Over (Under)
		Actual	Budget	
Receipts				
Use of Money and Property				
Interest Income	\$ 28.39	\$ -	\$ -	\$ -
Operating Transfers from Water Utility Fund	24,949.03	-	-	-
Total Receipts	<u>24,977.42</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures				
Debt Service				
Principal Payments	55,000.00	-	\$ -	\$ -
Interest Payments	4,400.00	-	-	-
Commissions and Postage	1.25	-	-	-
Total Expenditures	<u>59,401.25</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	(34,423.83)	-		
Unencumbered Cash, Beginning	<u>34,423.83</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

CITY OF THAYER, 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		Variance - Over (Under)
		Actual	Budget	
Receipts				
Charges for Services				
Sewer Charges	\$ 28,297.67	\$ 31,035.99	\$ 28,000.00	\$ 3,035.99
Total Receipts	<u>28,297.67</u>	<u>31,035.99</u>	<u>\$ 28,000.00</u>	<u>\$ 3,035.99</u>
Expenditures				
Treatment and Distribution				
Personal Services	14,033.17	16,281.01	\$ 16,500.00	\$ (218.99)
Contractual Services	8,548.03	381.27	7,200.00	(6,818.73)
Commodities	1,309.92	3,675.35	3,500.00	175.35
Capital Outlay	-	-	14,743.00	(14,743.00)
Total Expenditures	<u>23,891.12</u>	<u>20,337.63</u>	<u>\$ 41,943.00</u>	<u>\$ (21,605.37)</u>
Receipts Over (Under) Expenditures	4,406.55	10,698.36		
Unencumbered Cash, Beginning	<u>12,566.36</u>	<u>16,972.91</u>		
Unencumbered Cash, Ending	<u>\$ 16,972.91</u>	<u>\$ 27,671.27</u>		

CITY OF THAYER, KANSAS
SOLID WASTE 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		Variance - Over (Under)
		Actual	Budget	
Receipts				
Charges for Services				
Trash Charges	\$ 33,214.87	\$ 37,348.84	\$ 49,500.00	\$ (12,151.16)
Late Fees	202.13	731.30	-	731.30
Operating Transfers from Water Utility Fund	-	12,000.00	-	12,000.00
Total Receipts	<u>33,417.00</u>	<u>50,080.14</u>	<u>\$ 49,500.00</u>	<u>\$ 580.14</u>
Expenditures				
Treatment and Distribution				
Personal Services	1,692.33	-	\$ 4,085.00	\$ (4,085.00)
Contractual Services	<u>37,170.50</u>	<u>35,366.30</u>	<u>37,911.00</u>	<u>(2,544.70)</u>
Total Expenditures	<u>38,862.83</u>	<u>35,366.30</u>	<u>\$ 41,996.00</u>	<u>\$ (6,629.70)</u>
Receipts Over (Under) Expenditures	(5,445.83)	14,713.84		
Unencumbered Cash, Beginning	<u>(9,079.85)</u>	<u>(14,525.68)</u>		
Unencumbered Cash, Ending	<u>\$ (14,525.68)</u>	<u>\$ 188.16</u>		

CITY OF THAYER, KANSAS
AGENCY FUNDS
 Schedule of Receipts and Disbursements
 Regulatory Basis
 For the Year Ended December 31, 2012

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Wildlife and Parks Fees	\$ -	\$ 2,475.97	\$ 2,117.67	\$ 358.30
	<u>\$ -</u>	<u>\$ 2,475.97</u>	<u>\$ 2,117.67</u>	<u>\$ 358.30</u>



Communication of Material Weaknesses

Honorable Mayor and City Council
City of Thayer, Kansas

In planning and performing our audit of the financial statement of City of Thayer, 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 City of Thayer, Kansas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Thayer, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Thayer, Kansas' 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in City of Thayer, Kansas' internal control to be material weaknesses::

Preparation of Financial Statements

Professional standards do not allow the auditor to be a compensating internal control for the City for the preparation of the City's financial statements. The standard states the client must be able to accept responsibility and be able to identify a material misstatement when handed the financial statements, including footnotes. 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 statements, including footnotes. 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.

Segregation of Duties

Due to the small staff size of the City, weakness in internal control results from the City personnel performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the City.

Jarred, Gilmore & Phillips, PA
CERTIFIED PUBLIC ACCOUNTANTS

412 W. MAIN, P.O. BOX 97
NEODESHA, KANSAS 66757
(620) 325-3430

1815 S. SANTA FE, P.O. BOX 779
CHANUTE, KANSAS 66720
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16 W. JACKSON
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(620) 365-3125

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We remind the City staff and City Council responsible for approval and the signing of checks to be diligent in your responsibilities. All disbursements approved should have original invoices attached and should be thoroughly reviewed before approval. In addition, we recommend that whenever an office staff person takes a vacation, that person's accounting duties be performed by another office staff person in their absence. In this way, any improprieties may be discovered during performance of their work by another person.

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.

Very truly yours,

A handwritten signature in cursive script that reads "Jarred, Gilmore & Phillips, PA".

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

June 24, 2013
Chanute, Kansas