

CITY OF TORONTO, KANSAS

Financial Statement and
Independent Auditors' Report with
Supplemental Information

For the Year Ended December 31, 2012

CITY OF TORONTO, 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 Toronto, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Toronto, 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 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.

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 Toronto, 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 Toronto, 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 Toronto, 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

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 16, 2013
Chanute, Kansas

Statement 1

CITY OF TORONTO, KANSAS

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 Balance	Encumbrances and Accounts Payable	Cash Balance December 31, 2012
Governmental Type Funds						
General	\$ 69,625.32	\$ 87,622.50	\$ 86,840.90	\$ 70,406.92	\$ 3,748.08	\$ 74,155.00
Special Purpose Funds						
Library	-	2,717.34	2,717.34	-	107.72	107.72
Special Highway	11,504.92	7,266.68	5,184.93	13,586.67	-	13,586.67
Special Liability	10,247.80	2,674.64	1,866.88	11,055.56	-	11,055.56
Equipment Reserve	6,756.18	7,537.65	-	14,293.83	-	14,293.83
911 Emergency System	3,069.08	949.14	2,714.76	1,303.46	-	1,303.46
Bond and Interest Fund						
G.O. Bond and Interest	36,918.35	53,220.50	58,885.00	31,253.85	-	31,253.85
Business Funds						
Electric Utility	150,241.95	261,385.28	222,854.25	188,772.98	12,512.21	201,285.19
Electric Utility-Security Deposits	-	2,010.00	2,010.00	-	6,870.00	6,870.00
Water Utility	19,283.38	104,141.95	92,117.46	31,307.87	5,178.41	36,486.28
Sewer Utility	51,386.15	40,386.48	34,224.30	57,548.33	940.11	58,488.44
Water and Sewer Utility Surplus	23,644.00	-	-	23,644.00	-	23,644.00
Total Reporting Entity	\$ 382,677.13	\$ 569,912.16	\$ 509,415.82	\$ 443,173.47	\$ 29,356.53	\$ 472,530.00
(Excluding Agency Funds)						

Composition of Cash:

Cash on Hand.....	\$ 100.00
Checking Account, Emprise Bank, Toronto	343,806.37
Certificates of Deposit, Emprise Bank, Toronto	129,063.00
Total Cash	472,969.37
Less: Agency Funds per Schedule 3	(439.37)
Total Reporting Entity(Excluding Agency Funds)	\$ 472,530.00

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

CITY OF TORONTO, KANSAS

Notes to the Financial Statement
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The City of Toronto, Kansas (the City) is a municipal corporation governed by an elected six member council. This financial statement presents the City of Toronto, Kansas (the primary government).

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:

Toronto Public Library

The City of Toronto Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Separate internal financial statements are available at the Library.

Toronto Housing Authority – The Toronto Housing Authority operates the City's housing projects. The Housing Authority can sue and be sued, and can buy, sell, or lease real property. Bond ordinances must be approved by the City. Separate internal financial statements are available at the Authority.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis Fund Types (Continued)

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

Business funds – 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 Accounting

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

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

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for the revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as revenues. In the financial statement and budget schedules comparisons 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)

Pension Plan

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 timetable in the adoption of the legal annual operating budget:

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

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 the individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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

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

Equipment Reserve Fund

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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 and Schedule 1, the City was in apparent compliance with Kansas cash basis and budget laws.

3. DEPOSITS AND INVESTMENTS

K.S.A 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main branch or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository and the bank provides 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 \$472,869.37 and the bank balance was \$475,396.30. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000.00 was covered by FDIC insurance and \$225,396.30 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

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.

4. DEFINED BENEFIT PENSION PLAN (Continued)

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

All full-time employees of the City with one year of employment are eligible for vacation benefits in varying annual amounts. Vacation must be used by December 31 of each year end.

Sick leave accrues to all full-time employees at the rate of one day per month to a maximum of 24 days. Employees who terminate by other than retirement or death will not be paid for accumulated sick leave.

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 vacation pay in the amount of \$800. The City has not estimated the liability for sick pay which has been earned but not taken by City employees, inasmuch as the amount 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 this financial statement.

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

7. ECONOMIC DEPENDENCY

During 2012, the City sold 56.81% of its gallons of water sold to Rural Water District No. 9 and purchased 100% of its water from the City of Yates Center, Kansas.

8. 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	Original Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds:									
Paid By Tax Levies:									
Refunding Bonds									
Series 2009	2.25-4.6%	September 28, 2009	\$ 560,000.00	September 1, 2023	\$ 490,000.00	-	\$ 40,000.00	\$ 450,000.00	\$ 18,885.00
Total Long-Term Debt Commitments									
			\$ 490,000.00		\$ 490,000.00	-	\$ 40,000.00	\$ 450,000.00	\$ 18,885.00

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	2018-2022	2023	Total
Principal								
General Obligation Bonds:								
Paid By Tax Levies:								
Refunding Bonds								
Series 2009	\$ 40,000.00	\$ 40,000.00	\$ 35,000.00	\$ 40,000.00	\$ 45,000.00	\$ 220,000.00	\$ 30,000.00	\$ 450,000.00
Total Principal Payments	40,000.00	40,000.00	35,000.00	40,000.00	45,000.00	220,000.00	30,000.00	450,000.00
Interest								
General Obligation Bonds:								
Paid By Tax Levies:								
Refunding Bonds								
Series 2009	17,785.00	16,685.00	15,365.00	14,210.00	12,650.00	34,802.50	4,140.00	115,637.50
Total Interest Payments	17,785.00	16,685.00	15,365.00	14,210.00	12,650.00	34,802.50	4,140.00	115,637.50
Total Principal and Interest	\$ 57,785.00	\$ 56,685.00	\$ 50,365.00	\$ 54,210.00	\$ 57,650.00	\$ 254,802.50	\$ 34,140.00	\$ 565,637.50

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; employee's health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

10. INTERFUND TRANSFERS

Operating and residual transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water Utility	G.O. Bond and Interest	K.S.A. 12-825d	\$ 16,000.00
Sewer Utility	G.O. Bond and Interest	K.S.A. 12-825d	6,000.00
Electric Utility	General	K.S.A. 12-825d	17,500.00
Electric Utility	Equipment Reserve	K.S.A. 12-825d	5,000.00
Sewer Utility	Equipment Reserve	K.S.A. 12-825d	2,500.00

11. SUBSEQUENT EVENTS

There were no subsequent events requiring recognition in the financial statement. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTAL INFORMATION

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

Funds	Total Certified Budget	Adjustments for Qualifying Budget Credits	Total Certified Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds					
General	\$ 176,760.00	\$ -	176,760.00	\$ 86,840.90	\$ (89,919.10)
Special Purpose Funds					
Library	3,177.00	-	3,177.00	2,717.34	(459.66)
Special Highway	22,415.00	-	22,415.00	5,184.93	(17,230.07)
Special Liability	13,548.00	-	13,548.00	1,866.88	(11,681.12)
911 Emergency System	5,824.00	-	5,824.00	2,714.76	(3,109.24)
Bond and Interest Fund					
G.O. Bond and Interest	95,736.00	7,829.52	103,565.52	58,885.00	(44,680.52)
Business Funds					
Electric Utility	432,077.00	-	432,077.00	222,854.25	(209,222.75)
Water Utility	109,964.00	-	109,964.00	92,117.46	(17,846.54)
Sewer Utility	92,954.00	-	92,954.00	34,224.30	(58,729.70)

CITY OF TORONTO, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 24,445.91	\$ 24,893.94	\$ 27,650.00	\$ (2,756.06)
Delinquent Tax	3,217.41	1,831.25	2,269.00	(437.75)
Motor Vehicle Tax	5,357.47	4,758.81	6,448.00	(1,689.19)
Recreational Vehicle Tax	96.31	137.86	191.00	(53.14)
16M and 20M Tax	451.78	677.44	475.00	202.44
Sales Tax	23,235.32	23,505.90	26,500.00	(2,994.10)
Franchise Tax	4,890.99	4,084.36	5,200.00	(1,115.64)
Intergovernmental				
Federal Grants - FEMA	14,598.49	-	-	-
Highway Connecting Links	4,818.00	4,821.32	4,800.00	21.32
Local Alcoholic Liquor Tax	247.72	260.15	-	260.15
Charges for Services	307.50	259.00	280.00	(21.00)
Licenses and Permits	947.00	276.00	725.00	(449.00)
Fines, Forfeitures and Penalties	456.51	637.99	255.00	382.99
Use of Money and Property				
Interest Income	802.10	394.11	970.00	(575.89)
Other Revenues				
Donations	-	-	500.00	(500.00)
Miscellaneous	500.00	820.00	-	820.00
Reimbursed Expense	8,785.65	2,764.37	-	2,764.37
Operating Transfers From:				
Electric Utility Fund	17,500.00	17,500.00	17,500.00	-
Sewer Utility Fund	-	-	2,500.00	(2,500.00)
Total Receipts	110,658.16	87,622.50	\$ 96,263.00	\$ (8,640.50)
Expenditures				
General Government				
Personal Services	38,308.40	41,374.23	\$ 37,874.00	\$ 3,500.23
Contractual Services	31,142.16	23,458.87	25,000.00	(1,541.13)
Commodities	7,230.02	5,530.10	12,000.00	(6,469.90)
Capital Outlay	19,554.65	8,011.47	5,000.00	3,011.47

CITY OF TORONTO, KANSAS
GENERAL FUND

Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures (Continued)				
Public Safety				
Fire Department				
Contractual Services	\$ 3,807.71	\$ 2,487.44	\$ 3,500.00	\$ (1,012.56)
Commodities	6,419.11	1,227.07	3,500.00	(2,272.93)
Capital Outlay	222.50	1,620.20	1,000.00	620.20
Municipal Court				
Contractual Services	146.25	537.87	300.00	237.87
Commodities	14.99	-	30.00	(30.00)
Highways and Streets				
Contractual Services	906.76	1,793.92	1,200.00	593.92
Commodities	2,030.58	799.73	84,031.00	(83,231.27)
Culture and Recreation				
Parks and Recreation				
Contractual Services	277.90	-	-	-
Commodities	-	-	325.00	(325.00)
Library Board				
Appropriations	-	-	3,000.00	(3,000.00)
Total Expenditures	110,061.03	86,840.90	\$ 176,760.00	\$ (89,919.10)
Receipts Over(Under) Expenditures	597.13	781.60		
Unencumbered Cash, Beginning	69,028.19	69,625.32		
Unencumbered Cash, Ending	\$ 69,625.32	\$ 70,406.92		

CITY OF TORONTO, KANSAS
LIBRARY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 2,034.19	\$ 2,032.07	\$ 2,360.00	\$ (327.93)
Delinquent Tax	285.46	160.33	204.00	(43.67)
Motor Vehicle Tax	470.94	410.81	556.00	(145.19)
Recreational Vehicle Tax	8.47	11.89	16.00	(4.11)
16M and 20M Tax	39.58	59.54	41.00	18.54
Other Revenues				
Reimbursed Expense	42.46	42.70	-	42.70
Total Receipts	<u>2,881.10</u>	<u>2,717.34</u>	<u>\$ 3,177.00</u>	<u>\$ (459.66)</u>
Expenditures				
Culture and Recreation				
Appropriation to Library Board	2,838.64	2,717.34	\$ 3,177.00	\$ (459.66)
Contractual Services	42.46	-	-	-
Total Expenditures	<u>2,881.10</u>	<u>2,717.34</u>	<u>\$ 3,177.00</u>	<u>\$ (459.66)</u>
Receipts Over(Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

CITY OF TORONTO, KANSAS
SPECIAL HIGHWAY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
State Gasoline Tax Payments	\$ 7,085.56	\$ 7,266.68	\$ 7,250.00	\$ 16.68
Total Receipts	7,085.56	7,266.68	\$ 7,250.00	\$ 16.68
Expenditures				
Highways and Streets				
Contractual Services	3,705.79	5,184.93	\$ -	\$ 5,184.93
Commodities	-	-	22,415.00	(22,415.00)
Total Expenditures	3,705.79	5,184.93	\$ 22,415.00	\$ (17,230.07)
Receipts Over(Under) Expenditures	3,379.77	2,081.75		
Unencumbered Cash, Beginning	8,125.15	11,504.92		
Unencumbered Cash, Ending	\$ 11,504.92	\$ 13,586.67		

CITY OF TORONTO, KANSAS
SPECIAL LIABILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 2,034.19	\$ 2,032.07	\$ 2,360.00	\$ (327.93)
Delinquent Tax	285.46	160.33	204.00	(43.67)
Motor Vehicle Tax	470.94	410.81	556.00	(145.19)
Recreational Vehicle Tax	8.47	11.89	16.00	(4.11)
16M and 20M Tax	39.58	59.54	41.00	18.54
Other Revenues				
Reimbursed Expense	22.00	-	-	-
Total Receipts	2,860.64	2,674.64	3,177.00	(502.36)
Expenditures				
General Government				
Contractual Services	1,580.82	1,866.88	\$ 13,548.00	\$ (11,681.12)
Total Expenditures	1,580.82	1,866.88	\$ 13,548.00	\$ (11,681.12)
Receipts Over(Under) Expenditures	1,279.82	807.76		
Unencumbered Cash, Beginning	8,967.98	10,247.80		
Unencumbered Cash, Ending	\$ 10,247.80	\$ 11,055.56		

CITY OF TORONTO, KANSAS
EQUIPMENT RESERVE FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 70.02	\$ 37.65
Operating Transfers From:		
Sewer Utility Fund	-	2,500.00
Electric Utility Fund	-	5,000.00
	70.02	7,537.65
Total Receipts	70.02	7,537.65
Expenditures		
General Government		
Capital Outlay	-	-
	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	70.02	7,537.65
Unencumbered Cash, Beginning	6,686.16	6,756.18
Unencumbered Cash, Ending	\$ 6,756.18	\$ 14,293.83

CITY OF TORONTO, KANSAS
911 EMERGENCY SYSTEM FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Other Revenues				
Charges for Services	\$ 2,871.07	\$ 717.20	\$ 3,000.00	\$ (2,282.80)
Reimbursed Expense	-	231.94	-	231.94
Total Receipts	<u>2,871.07</u>	<u>949.14</u>	<u>\$ 3,000.00</u>	<u>\$ (2,050.86)</u>
Expenditures				
Public Safety				
Contractual Services	2,016.69	762.76	\$ 3,000.00	\$ (2,237.24)
Commodities	379.25	1,952.00	2,824.00	(872.00)
Total Expenditures	<u>2,395.94</u>	<u>2,714.76</u>	<u>\$ 5,824.00</u>	<u>\$ (3,109.24)</u>
Receipts Over(Under) Expenditures	475.13	(1,765.62)		
Unencumbered Cash, Beginning	<u>2,593.95</u>	<u>3,069.08</u>		
Unencumbered Cash, Ending	<u>\$ 3,069.08</u>	<u>\$ 1,303.46</u>		

CITY OF TORONTO, 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 Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 17,798.50	\$ 17,780.19	\$ 20,649.00	\$ (2,868.81)
Delinquent Tax	2,462.00	1,391.22	1,722.00	(330.78)
Motor Vehicle Tax	4,120.82	3,594.37	4,868.00	(1,273.63)
Recreational Vehicle Tax	74.09	104.10	144.00	(39.90)
16M and 20M Tax	344.21	521.10	358.00	163.10
Other Revenues				
Reimbursed Expense	7,829.52	7,829.52	7,830.00	(0.48)
Operating Transfers From:				
Water Utility Fund	16,000.00	16,000.00	16,000.00	-
Sewer Utility Fund	6,000.00	6,000.00	6,000.00	-
Total Receipts	<u>54,629.14</u>	<u>53,220.50</u>	<u>\$ 57,571.00</u>	<u>\$ (4,350.50)</u>
Expenditures				
Debt Service				
Principal	35,000.00	40,000.00	\$ 40,000.00	-
Interest	19,672.50	18,885.00	18,885.00	-
Commissions and Postage	-	-	5.00	(5.00)
Cash Basis Reserve			36,846.00	(36,846.00)
Total Certified Budget			<u>95,736.00</u>	<u>(5.00)</u>
Adjustments for Qualifying Budget Credits			<u>7,829.52</u>	<u>(7,829.52)</u>
Total Expenditures	<u>54,672.50</u>	<u>58,885.00</u>	<u>\$ 103,565.52</u>	<u>\$ (7,834.52)</u>
Receipts Over(Under) Expenditures	(43.36)	(5,664.50)		
Unencumbered Cash, Beginning	<u>36,961.71</u>	<u>36,918.35</u>		
Unencumbered Cash, Ending	<u>\$ 36,918.35</u>	<u>\$ 31,253.85</u>		

CITY OF TORONTO, KANSAS
ELECTRIC UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Charges for Services				
Consumer Sales	\$ 268,816.41	\$ 252,783.52	\$ 270,000.00	\$ (17,216.48)
Penalties	5,164.09	5,648.71	6,000.00	(351.29)
Connect and Reconnect Fees	200.00	130.00	150.00	(20.00)
Other Revenues				
Miscellaneous	34.48	25.00	290.00	(265.00)
Reimbursed Expense	7,048.50	2,798.05	1,495.00	1,303.05
Total Receipts	281,263.48	261,385.28	\$ 277,935.00	\$ (16,549.72)
Expenditures				
Production				
Contractual Services	172,453.31	160,549.99	\$ 170,000.00	\$ (9,450.01)
Transmission and Distribution				
Personal Services	31,037.46	28,042.67	33,095.00	(5,052.33)
Contractual Services	3,856.47	3,168.84	3,000.00	168.84
Commodities	16,113.83	5,837.36	16,000.00	(10,162.64)
Capital Outlay	-	2,755.39	187,482.00	(184,726.61)
Operating Transfers To:				
General Fund	17,500.00	17,500.00	17,500.00	-
Equipment Reserve Fund	-	5,000.00	5,000.00	-
Total Expenditures	240,961.07	222,854.25	\$ 432,077.00	\$ (209,222.75)
Receipts Over(Under) Expenditures	40,302.41	38,531.03		
Unencumbered Cash, Beginning	109,939.54	150,241.95		
Unencumbered Cash, Ending	\$ 150,241.95	\$ 188,772.98		

CITY OF TORONTO, KANSAS
ELECTRIC UTILITY FUND - SECURITY DEPOSITS

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 5.04	\$ -
Other Revenues		
Security Deposits Received	<u>4,714.96</u>	<u>2,010.00</u>
Total Receipts	<u>4,720.00</u>	<u>2,010.00</u>
Expenditures		
General Government		
Security Deposits Refunded	<u>4,720.00</u>	<u>2,010.00</u>
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

CITY OF TORONTO, KANSAS
WATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Charges for Services				
Consumer Sales	\$ 92,874.45	\$ 101,149.78	\$ 98,000.00	\$ 3,149.78
Bulk Sales	571.00	494.60	345.00	149.60
Connect and Reconnect Fees	200.00	110.00	90.00	20.00
Use of Money and Property				
Interest Income	285.39	165.39	290.00	(124.61)
Other Revenues				
Miscellaneous	2.00	1,620.00	-	1,620.00
Reimbursed Expense	623.48	602.18	430.00	172.18
Total Receipts	<u>94,556.32</u>	<u>104,141.95</u>	<u>\$ 99,155.00</u>	<u>\$ 4,986.95</u>
Expenditures				
Transmission and Distribution				
Personal Services	19,883.41	15,418.32	\$ 22,477.00	\$ (7,058.68)
Contractual Services	7,375.24	3,788.50	10,000.00	(6,211.50)
Commodities	53,488.98	56,910.64	55,000.00	1,910.64
Capital Outlay	-	-	6,487.00	(6,487.00)
Operating Transfers To				
G.O. Bond and Interest Fund	16,000.00	16,000.00	16,000.00	-
Total Expenditures	<u>96,747.63</u>	<u>92,117.46</u>	<u>\$ 109,964.00</u>	<u>\$ (17,846.54)</u>
Receipts Over(Under) Expenditures	(2,191.31)	12,024.49		
Unencumbered Cash, Beginning	<u>21,474.69</u>	<u>19,283.38</u>		
Unencumbered Cash, Ending	<u>\$ 19,283.38</u>	<u>\$ 31,307.87</u>		

CITY OF TORONTO, KANSAS
SEWER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Charges for Services				
Consumer Sales	\$ 39,740.93	\$ 39,340.89	\$ 45,000.00	\$ (5,659.11)
Licenses and Permits	200.00	400.00	-	400.00
Use of Money and Property				
Interest Income	80.00	43.42	100.00	(56.58)
Other Revenues				
Reimbursed Expense	623.43	602.17	430.00	172.17
Total Receipts	40,644.36	40,386.48	\$ 45,530.00	\$ (5,143.52)
Expenditures				
Transmission and Distribution				
Personal Services	19,127.60	15,072.82	\$ 21,674.00	\$ (6,601.18)
Contractual Services	6,750.06	4,714.69	6,000.00	(1,285.31)
Commodities	6,283.78	5,936.79	8,000.00	(2,063.21)
Capital Outlay	-	-	46,280.00	(46,280.00)
Operating Transfers To:				
General Fund	-	-	2,500.00	(2,500.00)
Equipment Reserve Fund	-	2,500.00	2,500.00	-
G.O. Bond and Interest Fund	6,000.00	6,000.00	6,000.00	-
Total Expenditures	38,161.44	34,224.30	\$ 92,954.00	\$ (58,729.70)
Receipts Over(Under) Expenditures	2,482.92	6,162.18		
Unencumbered Cash, Beginning	48,903.23	51,386.15		
Unencumbered Cash, Ending	\$ 51,386.15	\$ 57,548.33		

CITY OF TORONTO, KANSAS
WATER AND SEWER UTILITY SURPLUS FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

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

	<u>Prior</u> <u>Year</u> <u>Actual</u>	<u>Current</u> <u>Year</u> <u>Actual</u>
Receipts	\$ -	\$ -
Expenditures	-	-
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>23,644.00</u>	<u>23,644.00</u>
Unencumbered Cash, Ending	<u>\$ 23,644.00</u>	<u>\$ 23,644.00</u>

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

	Beginning Cash Balances	Receipts	Disbursements	Ending Cash Balances
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Electric Utility-Sales Tax Fund	\$ -	\$ 5,735.84	\$ 5,382.01	\$ 353.83
Water Protection Fee Fund	-	390.07	304.53	85.54
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ -</u>	<u>\$ 6,125.91</u>	<u>\$ 5,686.54</u>	<u>\$ 439.37</u>



Communication of Material Weaknesses

The Honorable Mayor and City Council
City of Toronto, Kansas

In planning and performing our audit of the financial statement of City of Toronto, 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 Toronto, 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Toronto, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Toronto, 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 Toronto, Kansas' internal control to be material weaknesses:

Preparation of Financial Statement

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

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
(620) 431-6342

16 W. JACKSON
IOLA, KANSAS 66749
(620) 365-3125

www.jgppa.com

Segregation of Duties

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

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

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 16, 2013
Chanute, Kansas