

CITY OF WATERVILLE
WATERVILLE, KANSAS

FINANCIAL STATEMENT
DECEMBER 31, 2012



INDEPENDENT AUDITORS' REPORT

August 14, 2013

Mayor and City Council
City of Waterville, Kansas

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

Management's Responsibility for the Financial Statements

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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

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

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 Waterville, Kansas as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Report on Internal Control

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2013 on our consideration of the City of Waterville, Kansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Mayor and City Council
City of Waterville, Kansas

This report is intended solely for the information and use of the City Council and management of the City of Waterville, Kansas and for filing with the Kansas Department of Administration, Division of Accounts and Reports and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


James Gordon & Associates CPA, P.A.
Manhattan, Kansas

CITY OF WATERVILLE, KANSAS

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

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Encumbrances And Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:						
General	\$ 53,063.10	\$ 530,402.20	\$ 444,137.10	\$ 139,328.20	\$ 690.59	\$ 140,018.79
Special Revenue Funds:						
Library	265,755.59	21,898.69	25,748.03	261,906.25	-	261,906.25
Special Highway	125.22	50,655.70	48,851.32	1,929.60	-	1,929.60
Ambulance	102,881.61	94,475.27	97,823.34	99,533.54	-	99,533.54
Special Machinery (Equipment Reserve)	42,508.42	-	11,717.54	30,790.88	-	30,790.88
Historical	21,107.79	12,943.52	4,318.60	29,732.71	-	29,732.71
Proprietary Type Funds:						
Enterprise Funds:						
Water Utility	145,059.38	154,078.86	89,752.61	209,385.63	-	209,385.63
Lights Utility	210,887.05	734,997.10	731,595.08	214,289.07	-	214,289.07
Sewer Utility	40,240.14	71,620.65	27,650.52	84,210.27	-	84,210.27
Total (Memorandum Only)	<u>\$ 881,628.30</u>	<u>\$ 1,671,071.99</u>	<u>\$ 1,481,594.14</u>	<u>\$ 1,071,106.15</u>	<u>\$ 690.59</u>	<u>\$ 1,071,796.74</u>

Composition of Cash and Investments:

Checking Account - Citizens State Bank	\$ 461,507.92
Savings Account - Citizens State Bank	799.82
Certificate of Deposit, Citizens State Bank	553,014.00
Investments	56,475.00
<u>Total</u>	<u>\$ 1,071,796.74</u>

CITY OF WATERVILLE

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012

Note 1 - Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

The City of Waterville, Kansas, (the City), is a municipal corporation governed by an elected five-member council plus a mayor. This regulatory financial statement presents the City of Waterville, Kansas, the primary government. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. The primary government financial statements referred to above do not include the component units of the City.

Regulatory Basis Fund Types

The accounts of the City are organized and operated on the basis of funds. 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 out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The following types of funds were utilized in recording the financial activities of the City for the year 2012:

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

Special Revenue 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.)

CITY OF WATERVILLE

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012

Note 1 - Summary of Significant Accounting Policies, continued

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

Reimbursed Expenses

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

Note 2 – Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), principle 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 budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

CITY OF WATERVILLE

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2012

Note 2 – Budgetary Information, continued

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.

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

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

Historical Fund
Special Machinery (Equipment Reserve) Fund

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

Note 3 - Deposits and Investments

As of December 31, 2012, the City held the following investment:

Investment Type	Fair Market	Investment Maturities (in Years)	
		Less than 1	1-2
City of Waterville Series 2010 Temporary Notes	\$ 56,475.00	\$ 27,751.84	\$ 28,723.16

K.S.A 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, 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.

CITY OF WATERVILLE

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2012

Note 3 - Deposits and Investments, continued

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

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%.

The City did not have a peak period pledge agreement during 2012, and therefore the City did not designate peak periods. All deposits were legally secured at December 31, 2012.

At December 31, 2012 the carrying amount of the City's deposits including certificates of deposit was \$1,015,321.74 and the bank balance was \$1,081,229.95. The bank balance was held at one bank resulting in a concentration of credit risk. The difference between the carrying amount and the bank balance is outstanding checks. Of the bank balance, \$500,000.00 was covered by FDIC insurance and the remaining \$581,229.95 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties; the City, the pledging bank, and the independent third-party bank holding the pledged securities.

Note 4 - Property Taxes

In accordance with governing State statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar-year basis and are levied and become a lien on the property on November 1st 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 the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year.

CITY OF WATERVILLE

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012

Note 5 - Interfund Transactions

The following operating transfers have been authorized for the year 2012:

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
General	Special Highway	K.S.A. 12-1,119	\$ 30,000.00
Lights Utility	General	K.S.A. 12-825d	100,000.00
Water Utility	General	K.S.A. 12-825d	15,000.00
Sewer Utility	General	K.S.A. 12-825d	5,000.00
Lights Utility	Historical	K.S.A. 12-825d	12,500.00

Note 6 - Long-Term Debt

On June 14, 2010 the City passed a Resolution and Ordinance authorizing the acquisition of an ambulance vehicle and the issuance of temporary notes to fund the purchase. The notes were purchased by the Library Fund.

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

Series 2010 Temporary Note Issued 7/1/10 at interest rate of 3.5%

Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Reductions/ Payments	Balance End of Year	Interest Paid
\$ 109,195.00	7/1/2014	\$ 83,288.37	\$ 26,813.37	\$ 56,475.00	\$ 2,914.63

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

Temporary Note Payable	<u>2013</u>	<u>2014</u>	<u>Total</u>
Principal:	\$ 27,751.84	\$ 28,723.16	\$ 56,475.00
Interest:	1,976.63	1,005.31	2,981.94
 Total principal & interest	 <u>\$ 29,728.47</u>	 <u>\$ 29,728.47</u>	 <u>\$ 59,456.94</u>

CITY OF WATERVILLE

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2012

Note 7 – Leases

The City has entered into an operating lease with the Waterville Preservation Society for the Weaver Hotel. Under the lease terms the City owns the Weaver Hotel which the Waterville Preservation Society operates. The Waterville Preservation Society pays an annual lease amount of \$1.00 for the use of the building. No attempt has been made to determine the fair value of the rent. However it is presumed that the income relating to any rental value over and above \$1.00 and expenses for the subsequent contribution of rental property, would net to zero causing this difference to be immaterial.

Note 8 – Other Long-Term Obligations From Operations

Compensated Absences

Expenses for accumulated vacation and sick leave earned by the employees are recorded when paid or taken by the employees. Only full-time employees, defined as employees who work at least 1,000 hours per year, shall be entitled to benefits of leave accumulation, holidays, insurance programs and other similar benefits. No benefits are available or can be accrued by a part-time or seasonal employee. Full-time employees are entitled to 12 days paid vacation leave after one year, based on an eight-hour workday. Employees earn 15 days vacation per year after they have been employed five years or more. Vacation may be accumulated to 240 hours. Full-time employees earn 10 hours of sick leave for each full month of service. Sick leave may be accumulated to 720 hours or 90 days. An employee shall not be paid for any sick leave upon termination of his/her employment with the City. The total unpaid compensated absences was \$17,274.40 at December 31, 2012

Note 9 – Defined Benefit Pension Plan

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERs) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERs and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs and KP&F 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.

CITY OF WATERVILLE

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2012

Note 9 – Defined Benefit Pension Plan, continued

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4921 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The employer rate established by statute from January 1, 2012 to December 31, 2012 was 8.34%. The City's contributions to KPERS for the years ending December 31, 2012, 2011 and 2010 were \$17,567.80, \$15,377.83 and \$14,114.31 respectively, equal to the statutory required contributions for each year.

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 local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government 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 government under this program.

Note 10 - 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; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no decreases in insurance coverage from the prior year.

Note 11 - Related Party Transactions

A City Council member has an ownership interest in a financial institution that holds the deposits and lease purchases of the City.

CITY OF WATERVILLE

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012

Note 12 – Evaluation of Subsequent Events

The City has evaluated subsequent events through August 14, 2013, the date which the financial statements were available to be issued.

SCHEDULE 1

CITY OF WATERVILLE, KANSAS

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

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
Governmental Type Funds:					
General	\$ 527,324.00	\$ -	\$ 527,324.00	\$ 444,137.10	\$ (83,186.90)
Special Revenue Funds:					
Library	292,688.00	-	292,688.00	25,748.03	(266,939.97)
Special Highway	49,554.00	-	49,554.00	48,851.32	(702.68)
Ambulance	162,296.00	-	162,296.00	97,823.34	(64,472.66)
Special Machinery (Equipment Reserve)*	50,721.00	-	50,721.00	11,717.54	(39,003.46)
Historical *	23,181.00	-	23,181.00	4,318.60	(18,862.40)
Proprietary Type Funds:					
Enterprise Funds:					
Water Utility	254,851.00	-	254,851.00	89,752.61	(165,098.39)
Lights Utility	1,009,142.00	-	1,009,142.00	731,595.08	(277,546.92)
Sewer Utility	102,743.00	-	102,743.00	27,650.52	(75,092.48)

* These funds are not required to have a legal operating budget.

CITY OF WATERVILLE, KANSAS

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

	Actual	Budget	Variance Over (Under)
<u>Cash Receipts:</u>			
Ad Valorem tax	\$ 147,084.27	\$ 154,754.00	\$ (7,669.73)
Delinquent tax	3,724.57	-	3,724.57
Motor Vehicle tax	32,500.41	34,840.00	(2,339.59)
Recreational Vehicle tax	267.74	489.00	(221.26)
16/20 M Vehicle tax	1,766.98	1,737.00	29.98
Intangibles tax	8,260.12	7,995.00	265.12
Local Sales tax	82,152.80	80,000.00	2,152.80
Grants	4,999.00	-	4,999.00
Licenses and Permits	1,421.00	1,200.00	221.00
Fines	7,409.00	14,500.00	(7,091.00)
Interest on idle funds	2,884.45	4,700.00	(1,815.55)
Rents, Charges for fees and services	2,479.00	2,950.00	(471.00)
Concessions	4,642.00	4,575.00	67.00
Admissions	2,778.25	3,150.00	(371.75)
Franchise fees	14,587.28	19,500.00	(4,912.72)
Miscellaneous	26,530.98	13,800.00	12,730.98
Donations	42,500.00	-	42,500.00
Reimbursed expenses	9,283.85	-	9,283.85
Rural Fire appropriation	15,130.50	14,500.00	630.50
Transfers In	120,000.00	120,000.00	-
	530,402.20	\$ 478,690.00	\$ 51,712.20
<u>Total Cash Receipts</u>			

CITY OF WATERVILLE, KANSAS

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

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
<u>Expenditures and Transfers Subject to Budget</u>			
General Administration and Streets:			
Personal Services/Payroll Taxes	80,985.61	\$ 65,600.00	\$ 15,385.61
Contractual Services	74,444.67	109,000.00	(34,555.33)
Commodities	38,291.24	49,000.00	(10,708.76)
Capital Outlay	-	47,500.00	(47,500.00)
<u>Total General Administration and Streets</u>	<u>193,721.52</u>	<u>271,100.00</u>	<u>(77,378.48)</u>
Police Department			
Personal Services/Payroll Taxes	57,397.89	57,800.00	(402.11)
Contractual	11,240.60	750.00	10,490.60
Commodities	8,717.08	7,200.00	1,517.08
<u>Total Police Department</u>	<u>77,355.57</u>	<u>65,750.00</u>	<u>11,605.57</u>
Other:			
Employees' Health Insurance	73,662.47	72,000.00	1,662.47
Retirement Contributions	16,521.02	15,400.00	1,121.02
Fire - City	7,193.59	14,000.00	(6,806.41)
Fire - Rural Fire Department	62.45	-	62.45
Community Service	3,360.01	1,000.00	2,360.01
Parks and Recreation Maintenance	6,582.36	17,500.00	(10,917.64)
Library Appropriation	11,500.00	11,500.00	-
Appropriations-USD #498	24,178.11	26,667.00	(2,488.89)
Miscellaneous	-	2,407.00	(2,407.00)
Transfer to Special Highway	30,000.00	30,000.00	-
Adjustment For Qualifying Budget Credits	-	-	-
<u>Total Other Expenditures</u>	<u>173,060.01</u>	<u>190,474.00</u>	<u>(17,413.99)</u>
<u>Total Cash Expenditures and Transfers Subject to Budget</u>	<u>444,137.10</u>	<u>\$ 527,324.00</u>	<u>\$ (83,186.90)</u>
<u>Excess (Deficit) Cash Revenues Over Cash Expenditures</u>	<u>86,265.10</u>		
<u>Beginning Fund Balance</u>	<u>53,063.10</u>		
<u>Ending Fund Balance</u>	<u>\$ 139,328.20</u>		

CITY OF WATERVILLE, KANSAS

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

	Actual	Budget	Variance Over (Under)
<u>Cash Receipts:</u>			
Ad Valorem tax	\$ 5,366.31	\$ 5,645.00	\$ (278.69)
Delinquent tax	136.46	-	136.46
Motor Vehicle tax	1,185.45	1,277.00	(91.55)
Recreational Vehicle tax	9.76	18.00	(8.24)
16/20 M Vehicle tax	63.81	64.00	(0.19)
Interest on idle funds	2,965.17	5,750.00	(2,784.83)
Miscellaneous	546.40	850.00	(303.60)
Donations	125.33	-	125.33
Appropriation - City	11,500.00	11,500.00	-
<u>Total Cash Receipts</u>	<u>21,898.69</u>	<u>\$ 25,104.00</u>	<u>\$ (3,205.31)</u>
<u>Expenditures and Transfers Subject to Budget:</u>			
Personal Services	13,967.67	\$ 15,775.00	\$ (1,807.33)
Contractual Services	4,441.13	4,225.00	216.13
Commodities	7,339.23	5,500.00	1,839.23
Capital Outlay	-	267,100.00	(267,100.00)
Neighborhood Revitalization	-	88.00	(88.00)
Adjustment For Qualifying Budget Credits	-	-	-
<u>Total Cash Expenditures and Transfers Subject to Budget</u>	<u>25,748.03</u>	<u>\$ 292,688.00</u>	<u>\$ (266,939.97)</u>
<u>Excess (Deficit) Cash Revenues Over Cash Expenditures</u>	<u>(3,849.34)</u>		
<u>Unencumbered Cash, Beginning</u>	<u>265,755.59</u>		
<u>Unencumbered Cash, Ending</u>	<u>\$ 261,906.25</u>		

CITY OF WATERVILLE, KANSAS

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

	Actual	Budget	Variance Over (Under)
<u>Cash Receipts:</u>			
State gas tax	\$ 17,498.55	\$ 16,720.00	\$ 778.55
Special Assessments	2,125.65	-	2,125.65
Miscellaneous	1,031.50	1,685.00	(653.50)
Transfer from General Fund	30,000.00	30,000.00	-
	-		
<u>Total Cash Receipts</u>	50,655.70	\$ 48,405.00	\$ 2,250.70
<u>Expenditures and Transfers Subject to Budget:</u>			
Personal Services	13,447.45	\$ 17,365.00	\$ (3,917.55)
Contractual Services	3,129.63	850.00	2,279.63
Commodities	32,274.24	30,000.00	2,274.24
Capital Outlay	-	1,339.00	(1,339.00)
<u>Total Cash Expenditures and Transfers Subject to Budget</u>	48,851.32	\$ 49,554.00	\$ (702.68)
<u>Excess (Deficit) Cash Revenues Over Cash Expenditures</u>	1,804.38		
<u>Unencumbered Cash, Beginning</u>	125.22		
<u>Unencumbered Cash, Ending</u>	\$ 1,929.60		

CITY OF WATERVILLE, KANSAS

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

	Actual	Budget	Variance Over (Under)
<u>Cash Receipts:</u>			
Appropriation - Marshall County	\$ 24,431.00	\$ 22,414.00	\$ 2,017.00
Charges for services	55,139.09	28,750.00	26,389.09
Grants	1,930.50	-	1,930.50
Miscellaneous	10,800.00	10,800.00	-
Donations	1,949.88	-	1,949.88
Interest on idle funds	224.80	675.00	(450.20)
	<u>94,475.27</u>	<u>\$ 62,639.00</u>	<u>\$ 31,836.27</u>
<u>Expenditures and Transfers Subject to Budget:</u>			
Personal Services	35,672.54	\$ 35,050.00	\$ 622.54
Contractual Services	13,314.48	9,500.00	3,814.48
Commodities	20,050.27	13,750.00	6,300.27
Capital Outlay	-	74,268.00	(74,268.00)
Temp Note Payment (Prin. & Int.)	28,786.05	29,728.00	(941.95)
Adjustment For Qualifying Budget Credits	-	-	-
	<u>97,823.34</u>	<u>\$ 162,296.00</u>	<u>\$ (64,472.66)</u>
<u>Excess (Deficit) Cash Revenues Over</u>			
<u>Cash Expenditures</u>	(3,348.07)		
<u>Unencumbered Cash, Beginning</u>	<u>102,881.61</u>		
<u>Unencumbered Cash, Ending</u>	<u>\$ 99,533.54</u>		

CITY OF WATERVILLE, KANSAS

Special Machinery (Equipment Reserve) Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
<u>Cash Receipts:</u>			
Miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Total Cash Receipts</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Expenditures and Transfers Subject to Budget:</u>			
Contractual	1,500.00	\$ -	\$ 1,500.00
Commodities	10,217.54	20,000.00	(9,782.46)
Capital Outlay	-	30,721.00	(30,721.00)
<u>Total Cash Expenditures and Transfers Subject to Budget</u>	<u>11,717.54</u>	<u>\$ 50,721.00</u>	<u>\$ (39,003.46)</u>
<u>Excess (Deficit) Cash Revenues Over Cash Expenditures</u>	<u>(11,717.54)</u>		
<u>Unencumbered Cash, Beginning</u>	<u>42,508.42</u>		
<u>Unencumbered Cash, Ending</u>	<u>\$ 30,790.88</u>		

CITY OF WATERVILLE, KANSAS

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

	Actual	Budget	Variance Over (Under)
<u>Cash Receipts:</u>			
Interest on Idle Funds	\$ 77.52	\$ 220.00	\$ (142.48)
Miscellaneous	-	160.00	(160.00)
Donations	366.00	-	366.00
Transfer from Lights Utility Fund	12,500.00	12,500.00	-
<u>Total Cash Receipts</u>	12,943.52	\$ 12,880.00	\$ 63.52
<u>Expenditures and Transfers Subject to Budget:</u>			
Commodities	561.74	\$ 3,800.00	\$ (3,238.26)
Contractual Services	3,756.86	12,000.00	(8,243.14)
Capital Outlay	-	7,381.00	(7,381.00)
<u>Total Expenditures and Transfers Subject to Budget</u>	4,318.60	\$ 23,181.00	\$ (18,862.40)
<u>Excess (Deficit) Cash Revenues Over Cash Expenditures</u>	8,624.92		
<u>Unencumbered Cash, Beginning</u>	21,107.79		
<u>Unencumbered Cash, Ending</u>	\$ 29,732.71		

CITY OF WATERVILLE, KANSAS

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

	Actual	Budget	Variance Over (Under)
<u>Cash Receipts:</u>			
Charges for services	\$ 149,764.75	\$ 138,000.00	\$ 11,764.75
Interest Income	56.94	175.00	(118.06)
Miscellaneous	4,257.17	600.00	3,657.17
	<u>154,078.86</u>	<u>\$ 138,775.00</u>	<u>\$ 15,303.86</u>
<u>Expenditures and Transfers Subject to Budget</u>			
Personal services	37,233.76	\$ 21,780.00	\$ 15,453.76
Contractual services	12,310.09	13,000.00	(689.91)
Commodities	25,208.76	80,000.00	(54,791.24)
Capital Outlay	-	125,071.00	(125,071.00)
Transfer to General Fund	15,000.00	15,000.00	-
	<u>89,752.61</u>	<u>\$ 254,851.00</u>	<u>\$ (165,098.39)</u>
<u>Total Cash Expenditures and Transfers Subject to Budget</u>			
	<u>89,752.61</u>	<u>\$ 254,851.00</u>	<u>\$ (165,098.39)</u>
<u>Excess (Deficit) Cash Revenues Over Cash Expenditures</u>	<u>64,326.25</u>		
<u>Unencumbered Cash, Beginning</u>	<u>145,059.38</u>		
<u>Unencumbered Cash, Ending</u>	<u>\$ 209,385.63</u>		

CITY OF WATERVILLE, KANSAS

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

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
<u>Cash Receipts:</u>			
Charges for services	\$ 726,642.31	\$ 705,000.00	\$ 21,642.31
Meter deposits	3,800.00	-	3,800.00
Sales Tax	-	-	-
Donations	-	-	-
Miscellaneous	4,554.79	3,200.00	1,354.79
	<u>734,997.10</u>	<u>\$ 708,200.00</u>	<u>\$ 26,797.10</u>
<u>Expenditures and Transfers Subject to Budget</u>			
Personal services	51,826.41	\$ 71,760.00	\$ (19,933.59)
Contractual services	549,404.25	530,200.00	19,204.25
Commodities	14,437.58	33,000.00	(18,562.42)
Capital Outlay	-	261,682.00	(261,682.00)
	<u>615,668.24</u>	<u>896,642.00</u>	<u>(280,973.76)</u>
<u>Total Admin., Transmission & Distribution</u>			
Other:			
Transfer to General Fund	100,000.00	100,000.00	-
Transfer to Historical Fund	12,500.00	12,500.00	-
Meter deposit refunds	3,426.84	-	3,426.84
	<u>115,926.84</u>	<u>112,500.00</u>	<u>3,426.84</u>
<u>Total Cash Expenditures and Transfers Subject to Budget</u>	<u>731,595.08</u>	<u>\$ 1,009,142.00</u>	<u>\$ (277,546.92)</u>
<u>Excess (Deficit) Cash Revenues Over Cash Expenditures</u>	<u>3,402.02</u>		
<u>Unencumbered Cash, Beginning</u>	<u>210,887.05</u>		
<u>Unencumbered Cash, Ending</u>	<u>\$ 214,289.07</u>		

CITY OF WATERVILLE, KANSAS

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

	Actual	Budget	Variance Over (Under)
<u>Cash Receipts:</u>			
Charges for services	\$ 70,775.65	\$ 69,420.00	\$ 1,355.65
Miscellaneous	845.00	1,300.00	(455.00)
Sales Tax Collected	-	-	-
Interest on idle funds	-	-	-
<u>Total Cash Receipts</u>	71,620.65	\$ 70,720.00	\$ 900.65
<u>Expenditures and Transfers Subject to Budget</u>			
Administration, Transmission & Distribution:			
Personal services	8,429.54	\$ 21,780.00	\$ (13,350.46)
Contractual services	3,821.67	1,450.00	2,371.67
Commodities	10,399.31	15,000.00	(4,600.69)
Capital Outlay	-	59,513.00	(59,513.00)
Transfer to General Fund	5,000.00	5,000.00	-
<u>Total Admin., Transmission & Distribution</u>	27,650.52	\$ 102,743.00	\$ (75,092.48)
<u>Total Cash Expenditures and Transfers Subject to Budget</u>	27,650.52	\$ 102,743.00	\$ (75,092.48)
<u>Excess (Deficit) Cash Revenues Over Cash Expenditures</u>	43,970.13		
<u>Unencumbered Cash, Beginning</u>	40,240.14		
<u>Unencumbered Cash, Ending</u>	\$ 84,210.27		



APPENDIX A

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

August 14, 2013

Mayor and City Council
City of Waterville, Kansas

We have audited the financial statement of the City of Waterville, Kansas, as of and for the year ended December 31, 2012, and have issued our report thereon dated August 14, 2013. That report disclosed the City of Waterville, Kansas prepares its financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Waterville, Kansas' ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis and budget laws of the State of Kansas such that there is more than a remote likelihood that a misstatement of the City of Waterville, Kansas' financial statements that is more than inconsequential will not be prevented or detected by the City of Waterville, Kansas' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Waterville, Kansas' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information of the City Council, management, and the Kansas Department of Administration, Division of Accounts and Reports and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


James Gordon & Associates CPA, P.A.