

CITY OF WEIR, KANSAS

Financial Statement and
Independent Auditors' Report with
Supplemental Information

For the Year Ended December 31, 2012

CITY OF WEIR, 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 Weir, Kansas

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



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 3, 2013
Chanute, Kansas

CITY OF WEIR, 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 Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance December 31, 2012
Governmental Type Funds:						
General	\$ 95,165.81	\$ 218,098.25	\$ 182,170.55	\$ 131,093.51	\$ 8,143.80	\$ 139,237.31
Special Purpose Funds:						
Library	1,597.98	6,257.25	6,000.00	1,855.23	-	1,855.23
Special Highway	21,230.76	17,680.21	2,111.54	36,799.43	55.18	36,854.61
Storm	28,857.06	-	11,090.13	17,766.93	-	17,766.93
Equipment Reserve	-	35,000.00	-	35,000.00	-	35,000.00
Bond and Interest Funds:						
Bond and Interest	16,492.64	64,714.69	60,047.50	21,159.83	-	21,159.83
Capital Project Funds:						
Storm Sirens	2,200.00	-	2,200.00	-	-	-
Business Funds:						
Water Utility	26,421.93	160,701.32	168,241.09	18,882.16	4,266.57	23,148.73
Water Utility Reserve	27,055.39	2,465.48	-	29,520.87	-	29,520.87
Sewer Utility	23,963.38	67,838.60	70,785.91	21,016.07	228.56	21,244.63
Sewer Utility Reserve	12,343.59	2,454.97	-	14,798.56	-	14,798.56
Water Meter Deposits	-	4,800.00	4,800.00	-	13,395.00	13,395.00
Total Reporting Entity	\$ 255,328.54	\$ 580,010.77	\$ 507,446.72	\$ 327,892.59	\$ 26,089.11	\$ 353,981.70
Composition of Cash:						
Petty Cash.....						\$ 200.00
Checking Accounts.....						324,836.96
Savings Accounts.....						23,944.74
Certificates of Deposits.....						5,000.00
Total Cash and Investments.....						\$ 353,981.70

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

CITY OF WEIR, KANSAS
Notes to Financial Statement
December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of Weir, 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 policies.

Financial Reporting Entity

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

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

Weir Public Library – The City of Weir, Kansas, Library Board operates the City's public library. The City levies taxes for the Library Board and significantly influences the Library's operations. Separate financial statements are not prepared.

Weir Firefighter's Relief Association - The Weir Firefighter's Relief Association is operated by the City's firefighters. Officers are elected by the firefighters. The Firefighter's Relief Association is housed in the City's offices, but is operated independent of the City's governing body. Separate financial statements are not prepared.

Hosey Hill Cemetery - The Hosey Hill Cemetery maintains a joint cemetery with the City of Scammon, Kansas. The Hosey Hill Cemetery can sue or be sued, and can buy, sell or lease real property. Bond issuances must be approved by the City. Separate financial statements are not prepared.

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 Weir, 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 PRINCIPLES (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.

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

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.)

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 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.

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 statements and budget 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.

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 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 or 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 1st 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (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 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.

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 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.

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

- Storm Fund
- Equipment Reserve Fund

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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.

Revenue Bond Requirements

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

<u>RESERVE ACCOUNT</u>	<u>REQUIRED AMOUNT</u>	<u>ACTUAL AMOUNT</u>
1981 Sewer Utility Bond and Interest – requires transfers monthly of 1/6 of next maturing interest, beginning September 1, 1981, and 1/12 of next maturing principal, beginning September 1, 1981.	\$ 3,116.67	
2000 Water Utility Bond and Interest – requires transfers monthly of 1/6 of next maturing interest, beginning May 24, 2000, and 1/12 of next maturing principal, beginning May 24, 2001.	<u>3,160.63</u>	
Total Bond and Interest at December 31, 2012	<u>6,277.30</u>	<u>21,159.83</u>
1981 Sewer Utility Bond Reserve Account – requires monthly transfers of \$78.00 per month beginning September 1, 1981, until a maximum of \$9,325.00 is reached.	9,325.00	14,798.56
2000 Water Utility Bond Reserve Account – requires monthly transfers of \$200.00 per month beginning June 24, 2000, until a maximum of \$24,000.00 is reached.	<u>24,000.00</u>	<u>29,520.87</u>
Total Bond Reserves at December 31, 2012	<u>\$ 39,602.30</u>	<u>\$ 65,479.26</u>

The City agrees to fix, establish, maintain and collect such rates, fees or charges for utility service furnished by or through the water and sewer systems which will be sufficient to enable the City to have, in each fiscal year, a net income in an amount that will be not less than 110% of the amount required to be paid by the City in the next succeeding fiscal year on account of both principal and interest of all bonds of the City at the time outstanding. Net income is defined as gross income less operating expenses but before any transfers, depreciation and capital expense.

For the year ended December 31, 2012, the Sewer Utility Fund had a net operating income of \$35,759.68. The revenue bond ordinance requires 110% of the principal and interest requirements for 2012, which would be \$10,285.00. Therefore, it appears the City of Weir, Kansas is in apparent compliance with its net operating income requirements in the Sewer Utility Fund.

For the year ended December 31, 2012, the Water Utility Fund had a net operating income of \$57,655.75. The revenue bond ordinance requires 110% of the principal and interest requirements for 2012, which would be \$15,215.75. Therefore, it appears the City of Weir, Kansas is in apparent compliance with its net operating income requirements in the Water Utility Fund.

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 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 \$353,781.70 and the bank balance was \$354,739.98. 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, \$104,739.98 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

Regular full time employees earn and accumulate vacation leave as follows:

Up to five years of employment – Based upon each employee’s anniversary date, 10 days earned at 6.67 days per month, with a maximum accumulation of 80 hours. After five full years of employment – 12 days earned at 8.0 days per month, with a maximum accumulation of 96 hours. After 10 full years of employment – 15 days earned at 10.0 days per month, with a maximum accumulation of 120 hours. After 15 years of employment – 18 days earned at 12.0 days per month, with a maximum accumulation of 144 hours.

Regular part time employees who work at least 20 hours or more per week, shall earn vacation credit at the rate of four hours for each month of employment.

Regular full time employees earn and accumulate sick leave from the beginning of employment at the rate of 8 hours per full month of service. Regular part-time employees who are employed to work not less than 20 hours per week shall earn 4 hours of sick leave for each month of employment. Sick leave may be accumulated to a maximum of 720 hours.

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 of \$2,050.00, and not estimated a liability for sick pay which has been earned, but not taken by City employees, inasmuch as the amount cannot be reasonably estimated.

7. 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 Bonds									
Paid with Tax Levies and Utility Revenues									
G.O. Refunding Series 2008	4.25%	February 27, 2008	\$ 250,000.00	May 1, 2016	\$ 165,000.00	-	\$ 30,000.00	\$ 135,000.00	\$ 6,375.00
Revenue Bonds									
Paid with Utility Revenues									
Sewer Utility System									
Revenue Series 1981	5.00%	September 1, 1981	160,000.00	September 1, 2021	73,000.00	-	6,000.00	67,000.00	3,650.00
Water Utility System									
Revenue Bonds Series 2000	4.75%	May 17, 2000	240,000.00	May 24, 2040	213,000.00	-	4,000.00	209,000.00	10,022.50
Total Long-Term Debt Commitments					\$ 451,000.00	\$ -	\$ 40,000.00	\$ 411,000.00	\$ 20,047.50

7. LONG-TERM DEBT COMMITMENTS (Continued)

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

Issue	2013	2014	2015	2016	2017	2018 - 2022	2023-2027
Principal							
General Obligation Bonds							
G.O. Refunding Series 2008	\$ 30,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ -	\$ -	\$ -
Revenue Bonds							
Sewer Utility System							
Revenue Series 1981	6,000.00	7,000.00	7,000.00	7,000.00	7,000.00	33,000.00	-
Water Utility System							
Revenue Bonds Series 2000	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	26,000.00	33,000.00
Total Principal Payments	40,000.00	46,000.00	46,000.00	46,000.00	11,000.00	59,000.00	33,000.00
Interest							
General Obligation Bonds							
G.O. Refunding Series 2008	5,100.00	3,718.75	2,231.25	743.75	-	-	-
Revenue Bonds							
Sewer Utility Revenue Series 1981	3,350.00	3,050.00	2,700.00	2,350.00	2,000.00	3,950.00	-
Water Utility Revenue Bonds Series 2000	9,832.50	9,642.50	9,452.50	9,262.50	9,072.50	41,895.00	34,486.25
Total Interest Payments	18,282.50	16,411.25	14,383.75	12,356.25	11,072.50	45,845.00	34,486.25
Total Principal and Interest	\$ 58,282.50	\$ 62,411.25	\$ 60,383.75	\$ 58,356.25	\$ 22,072.50	\$ 104,845.00	\$ 67,486.25
	2028-2032	2033-2037	2038-2040	Total			
Principal							
General Obligation Bonds							
G.O. Refunding Series 2008	\$ -	\$ -	\$ -	\$ 135,000.00			
Revenue Bonds							
Sewer Utility Revenue Series 1981	-	-	-	67,000.00			
Water Utility Revenue Bonds Series 2000	41,000.00	51,000.00	38,000.00	209,000.00			
Total Principal Payments	41,000.00	51,000.00	38,000.00	411,000.00			
Interest							
General Obligation Bonds							
G.O. Refunding Series 2008	-	-	-	11,793.75			
Revenue Bonds							
Sewer Utility System							
Revenue Series 1981	-	-	-	17,400.00			
Water Utility System							
Revenue Bonds Series 2000	26,243.75	15,318.75	2,755.00	167,961.25			
Total Interest Payments	26,243.75	15,318.75	2,755.00	197,155.00			
Total Principal and Interest	\$ 67,243.75	\$ 66,318.75	\$ 40,755.00	\$ 197,155.00			

7. OTHER COMMITMENTS

In February 1995, the City entered into a forty year purchase agreement with Public Wholesale Water Supply District No. 11, for the purchase of water. The City has agreed to purchase 1.2 million gallons of water per month at a set rate.

8. OPERATING LEASES

During 2010 the City entered into a thirty-six month lease for a Savin copier. The lease expense during 2012 was \$706.20. The future minimum lease payments required under this operating lease is:

2013	\$	470.80
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9. 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.

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

11. 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	Equipment Reserve	K.S.A. 12-825d	\$ 20,000.00
Water Utility	Bond and Interest	K.S.A. 12-825d	27,000.00
Water Utility	Water Utility Reserve	K.S.A. 12-825d	2,400.00
Sewer Utility	Equipment Reserve	K.S.A. 12-825d	15,000.00
Sewer Utility	Bond and Interest	K.S.A. 12-825d	20,000.04
Sewer Utility	Sewer Utility Reserve	K.S.A. 12-825d	2,400.00

12. SUBSEQUENT EVENTS

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

SUPPLEMENTAL INFORMATION

Schedule 1

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

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds:					
General	\$ 307,095.00	\$ 2,803.68	\$ 309,898.68	\$ 182,170.55	\$ (127,728.13)
Special Purpose Funds:					
Library	7,732.00	-	7,732.00	6,000.00	(1,732.00)
Special Highway	66,946.00	-	66,946.00	2,111.54	(64,834.46)
Bond and Interest Funds:					
Bond and Interest	81,575.00	-	81,575.00	60,047.50	(21,527.50)
Business Funds:					
Water Utility	188,220.00	-	188,220.00	168,241.09	(19,978.91)
Sewer Utility	96,986.00	-	96,986.00	70,785.91	(26,200.09)

CITY OF WEIR, 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	\$ 81,864.05	\$ 82,267.34	\$ 92,044.00	\$ (9,776.66)
Delinquent Tax	14,333.58	5,604.26	9,559.00	(3,954.74)
Motor Vehicle Tax	18,093.66	18,306.29	18,592.00	(285.71)
Recreational Vehicle Tax	293.70	197.50	382.00	(184.50)
16 & 20 M Truck Tax	161.75	4.30	4.00	0.30
Franchise Tax	32,479.64	30,599.56	33,612.00	(3,012.44)
Sales Tax	60,875.14	58,245.02	62,000.00	(3,754.98)
Intergovernmental				
Local Grants - Ballpark	2,000.00	3,000.00	-	3,000.00
Local Grants - Fire	1,000.00	-	-	-
Fines and Forfeitures	9,289.00	10,482.55	9,150.00	1,332.55
Licenses and Permits	725.00	875.00	650.00	225.00
Dog Pound Fees and Tag Revenue	385.00	415.00	375.00	40.00
Use of Money and Property				
Interest Income	655.06	695.40	700.00	(4.60)
Sale of Assets	465.04	763.60	-	763.60
Other Revenue				
Donations	75.71	-	-	-
Reimbursed Expenses	2,268.98	2,803.68	-	2,803.68
Insurance Proceeds	1,319.78	2,527.00	-	2,527.00
Miscellaneous	1,270.56	1,311.75	75.00	1,236.75
Operating Transfers from:				
Water Utility Fund	10,000.02	-	-	-
Sewer Utility Fund	7,500.00	-	-	-
Total Receipts	245,055.67	218,098.25	\$ 227,143.00	\$ (9,044.75)
Expenditures				
General Administration				
Personal Services	31,622.57	31,037.88	\$ 36,734.00	\$ (5,696.12)
Contractual Services	41,517.68	42,684.34	42,000.00	684.34
Commodities	4,870.06	5,298.94	6,000.00	(701.06)
Capital Outlay	-	-	2,000.00	(2,000.00)

**CITY OF WEIR, 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				
Police Department				
Personal Services	\$ 22,598.53	\$ 21,868.53	\$ 23,788.00	\$ (1,919.47)
Contractual Services	29,820.69	27,778.13	33,500.00	(5,721.87)
Commodities	2,409.57	2,212.31	2,500.00	(287.69)
Capital Outlay	999.95	102.98	1,000.00	(897.02)
Dog Pound Expenditures	1,090.48	1,671.55	1,000.00	671.55
Fire Department				
Personal Services	10,290.09	3,205.48	15,808.00	(12,602.52)
Contractual Services	5,387.57	4,648.37	5,500.00	(851.63)
Commodities	1,286.49	3,107.51	2,000.00	1,107.51
Capital Outlay	-	1,434.00	1,000.00	434.00
Park Department				
Commodities	764.10	969.08	500.00	469.08
Capital Outlay	736.76	-	-	-
Street Lighting Department				
Contractual Services	14,221.05	15,623.52	16,000.00	(376.48)
Street Department				
Contractual Services	758.01	727.25	4,000.00	(3,272.75)
Commodities	7,148.15	6,414.59	7,000.00	(585.41)
Capital Outlay	-	2,900.00	97,565.00	(94,665.00)
Appropriations to Library Board	9,962.04	9,986.09	8,700.00	1,286.09
Appropriations to Cemetery Board	500.00	500.00	500.00	-
Total Certified Budget			307,095.00	(124,924.45)
Adjustments for Qualifying				
Budget Credits			2,803.68	2,803.68
Total Expenditures	<u>185,983.79</u>	<u>182,170.55</u>	<u>\$ 309,898.68</u>	<u>\$ (122,120.77)</u>
Receipts Over(Under) Expenditures	59,071.88	35,927.70		
Unencumbered Cash, Beginning	<u>36,093.93</u>	<u>95,165.81</u>		
Unencumbered Cash, Ending	<u>\$ 95,165.81</u>	<u>\$ 131,093.51</u>		

CITY OF WEIR, 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	\$ 4,853.01	\$ 4,813.95	\$ 5,393.00	\$ (579.05)
Delinquent Tax	831.11	334.94	635.00	(300.06)
Motor Vehicle Tax	1,095.86	1,096.24	1,106.00	(9.76)
Recreational Vehicle Tax	17.77	11.86	23.00	(11.14)
16 & 20 M Truck Tax	9.99	0.26	-	0.26
Total Receipts	<u>6,807.74</u>	<u>6,257.25</u>	<u>\$ 7,157.00</u>	<u>\$ (899.75)</u>
Expenditures				
Appropriation to Library Board	<u>6,000.00</u>	<u>6,000.00</u>	<u>\$ 7,732.00</u>	<u>\$ (1,732.00)</u>
Total Expenditures	<u>6,000.00</u>	<u>6,000.00</u>	<u>\$ 7,732.00</u>	<u>\$ (1,732.00)</u>
Receipts Over(Under) Expenditures	807.74	257.25		
Unencumbered Cash, Beginning	<u>790.24</u>	<u>1,597.98</u>		
Unencumbered Cash, Ending	<u>\$ 1,597.98</u>	<u>\$ 1,855.23</u>		

CITY OF WEIR, KANSAS
SPECIAL HIGHWAY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
Special Highway Tax	\$ 18,162.37	\$ 17,680.21	\$ 19,610.00	\$ (1,929.79)
Total Receipts	<u>18,162.37</u>	<u>17,680.21</u>	<u>\$ 19,610.00</u>	<u>\$ (1,929.79)</u>
Expenditures				
Street Maintenance				
Commodities	<u>33,300.82</u>	<u>2,111.54</u>	<u>\$ 66,946.00</u>	<u>\$ (64,834.46)</u>
Total Expenditures	<u>33,300.82</u>	<u>2,111.54</u>	<u>\$ 66,946.00</u>	<u>\$ (64,834.46)</u>
Receipts Over(Under) Expenditures	(15,138.45)	15,568.67		
Unencumbered Cash, Beginning	<u>36,369.21</u>	<u>21,230.76</u>		
Unencumbered Cash, Ending	<u>\$ 21,230.76</u>	<u>\$ 36,799.43</u>		

CITY OF WEIR, KANSAS
STORM 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		
Intergovernmental		
Federal Grant - FEMA	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Capital Improvements		
Capital Outlay	4,500.00	11,090.13
Total Expenditures	4,500.00	11,090.13
Receipts Over(Under) Expenditures	(4,500.00)	(11,090.13)
Unencumbered Cash, Beginning	33,357.06	28,857.06
Unencumbered Cash, Ending	<u>\$ 28,857.06</u>	<u>\$ 17,766.93</u>

CITY OF WEIR, KANSAS
EQUIPMENT RESERVE

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		
Operating Transfers from:		
Water Utility Fund	\$ -	\$ 20,000.00
Sewer Utility Fund	-	15,000.00
Total Receipts	-	35,000.00
Expenditures		
General Government		
Capital outlay	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	35,000.00
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ 35,000.00

CITY OF WEIR, KANSAS
BOND AND INTEREST FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 13,664.70	\$ 13,724.02	\$ 15,398.00	\$ (1,673.98)
Delinquent Tax	2,081.11	927.28	1,578.00	(650.72)
Motor Vehicle Tax	2,939.37	3,030.06	3,113.00	(82.94)
Recreational Vehicle Tax	47.77	32.59	64.00	(31.41)
16 & 20 M Truck Tax	20.84	0.70	1.00	(0.30)
Operating Transfers from:				
Water Utility Fund	27,000.00	27,000.00	27,000.00	-
Sewer Utility Fund	20,000.04	20,000.04	20,000.00	0.04
Total Receipts	65,753.83	64,714.69	\$ 67,154.00	\$ (2,439.31)
Expenditures				
Debt Service				
Principal	39,000.00	40,000.00	\$ 40,000.00	\$ -
Interest	21,788.75	20,047.50	20,048.00	(0.50)
Cash Basis Reserve	-	-	21,527.00	(21,527.00)
Total Expenditures	60,788.75	60,047.50	\$ 81,575.00	\$ (21,527.50)
Receipts Over(Under) Expenditures	4,965.08	4,667.19		
Unencumbered Cash, Beginning	11,527.56	16,492.64		
Unencumbered Cash, Ending	<u>\$ 16,492.64</u>	<u>\$ 21,159.83</u>		

CITY OF WEIR, KANSAS
STORM SIRENS 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		
Intergovernmental		
Federal Grant Revenue	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Capital Improvements		
Capital Outlay	-	2,200.00
Total Expenditures	-	2,200.00
Receipts Over(Under) Expenditures	-	(2,200.00)
Unencumbered Cash, Beginning	2,200.00	2,200.00
Unencumbered Cash, Ending	<u>\$ 2,200.00</u>	<u>\$ -</u>

CITY OF WEIR, 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				
Operating Revenues				
Water Sales	\$ 148,360.99	\$ 144,564.95	\$ 150,000.00	\$ (5,435.05)
Late Fees	4,575.27	4,644.60	4,400.00	244.60
Other Fees	11,102.35	10,878.16	10,500.00	378.16
Reconnection Fees	650.00	613.61	1,000.00	(386.39)
Total Receipts	<u>164,688.61</u>	<u>160,701.32</u>	<u>\$ 165,900.00</u>	<u>\$ (5,198.68)</u>
Expenditures				
Transmission and Distribution				
Personal Services	44,709.50	43,562.77	\$ 46,780.00	\$ (3,217.23)
Contractual Services	55,630.39	54,164.32	60,000.00	(5,835.68)
Commodities	3,573.38	5,318.48	5,000.00	318.48
Capital Outlay	14,264.01	15,795.52	27,040.00	(11,244.48)
Operating Transfers to:				
General Fund	10,000.02	-	-	-
Bond and Interest Fund	27,000.00	27,000.00	27,000.00	-
Equipment Reserve Fund	-	20,000.00	20,000.00	-
Water Utility Reserve Fund	2,400.00	2,400.00	2,400.00	-
Total Expenditures	<u>157,577.30</u>	<u>168,241.09</u>	<u>\$ 188,220.00</u>	<u>\$ (19,978.91)</u>
Receipts Over(Under) Expenditures	7,111.31	(7,539.77)		
Unencumbered Cash, Beginning	<u>19,310.62</u>	<u>26,421.93</u>		
Unencumbered Cash, Ending	<u>\$ 26,421.93</u>	<u>\$ 18,882.16</u>		

CITY OF WEIR, KANSAS
WATER UTILITY RESERVE 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		
Use of Money and Property		
Interest Income	\$ 105.65	\$ 65.48
Operating Transfers from Water Utility Fund	2,400.00	2,400.00
Total Receipts	2,505.65	2,465.48
Expenditures		
Operating Expenditures		
Contractual Services	2,980.00	-
Total Expenditures	2,980.00	-
Receipts Over(Under) Expenditures	(474.35)	2,465.48
Unencumbered Cash, Beginning	27,529.74	27,055.39
Unencumbered Cash, Ending	<u>\$ 27,055.39</u>	<u>\$ 29,520.87</u>

**CITY OF WEIR, 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				
Operating Revenues				
User Fees	\$ 70,304.10	\$ 67,838.60	\$ 74,000.00	\$ (6,161.40)
Total Receipts	<u>70,304.10</u>	<u>67,838.60</u>	<u>\$ 74,000.00</u>	<u>\$ (6,161.40)</u>
Expenditures				
Personal Services	24,653.73	19,447.77	\$ 27,103.00	\$ (7,655.23)
Contractual Services	7,810.78	8,774.96	7,300.00	1,474.96
Commodities	1,638.98	3,856.19	1,000.00	2,856.19
Capital Outlay	1,357.00	1,306.95	24,183.00	(22,876.05)
Operating Transfers to				
General Fund	7,500.00	-	-	-
Bond and Interest Fund	20,000.04	20,000.04	20,000.00	0.04
Equipment Reserve Fund	-	15,000.00	15,000.00	-
Sewer Utility Reserve Fund	2,400.00	2,400.00	2,400.00	-
Total Expenditures	<u>65,360.53</u>	<u>70,785.91</u>	<u>\$ 96,986.00</u>	<u>\$ (26,200.09)</u>
Receipts Over(Under) Expenditures	4,943.57	(2,947.31)		
Unencumbered Cash, Beginning	<u>19,019.81</u>	<u>23,963.38</u>		
Unencumbered Cash, Ending	<u>\$ 23,963.38</u>	<u>\$ 21,016.07</u>		

CITY OF WEIR, KANSAS
SEWER UTILITY RESERVE 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		
Use of Money and Property		
Interest Income	\$ 83.60	\$ 54.97
Operating Transfers from Sewer Utility Fund	2,400.00	2,400.00
Total Receipts	2,483.60	2,454.97
Expenditures		
Operating Expenditures		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	2,483.60	2,454.97
Unencumbered Cash, Beginning	9,859.99	12,343.59
Unencumbered Cash, Ending	<u>\$ 12,343.59</u>	<u>\$ 14,798.56</u>

CITY OF WEIR, KANSAS
WATER METER DEPOSITS 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		
Meter Deposits Collected	\$ 2,681.88	\$ 4,800.00
Total Receipts	2,681.88	4,800.00
Expenditures		
Meter Deposits Paid	2,681.88	4,800.00
Total Expenditures	2,681.88	4,800.00
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ -



Communication of Material Weaknesses

The Honorable Mayor and City Council
City of Weir, Kansas

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

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

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

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Segregation of Duties

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

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

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 3, 2013
Chanute, Kansas