

CITY OF ATWOOD, KANSAS

Primary Government Financial Statements
With Independent Auditors' Report

For the Year Ended December 31, 2011

CITY OF ATWOOD, KANSAS
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 For the Year Ended December 31, 2011

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Primary Government Financial Statements With Independent Auditors' Report
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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Atwood
Atwood, Kansas

We have audited the accompanying primary government financial statements of **City of Atwood, Kansas**, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of **City of Atwood, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the City's legally separate component units, the Housing Authority of the City of Atwood and the Atwood Public Library. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component units, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, **City of Atwood, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **City of Atwood, Kansas**, as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Atwood, Kansas**, as of December 31, 2011, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2012, on our consideration of **City of Atwood, Kansas**' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **City of Atwood, Kansas**' financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 financial statements as a whole.



ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

July 19, 2012

CITY OF ATWOOD, KANSAS
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash
 For the Year ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Period Adjustments	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories								
General Fund	\$ 166,104	(6,079)	-	708,137	708,643	159,519	6,475	165,994
Special Revenue Funds								
Airport Fund	51	-	-	5,193	4,363	881	-	881
Library Fund	437	-	-	39,609	39,715	331	-	331
Special Highway Fund	7,871	-	-	29,101	31,939	5,033	-	5,033
Special Parks and Recreation Fund	3,772	-	-	4,701	6,463	2,010	32	2,042
Tourism and Convention Fund	12,866	-	-	5,074	9,679	8,261	-	8,261
Atwood Township Fund	3,860	-	-	63,505	65,693	1,672	816	2,488
Atwood Walkway Fund	3,592	-	-	75	-	3,667	-	3,667
Community Playground Fund	1,083	-	-	-	608	475	-	475
Special Equipment Fund	14,633	-	-	-	-	14,633	-	14,633
Second Century Donations Fund	3,000	-	-	-	3,000	-	-	-
Pool Reserve Fund	-	-	-	10,000	10,000	-	-	-
Park Reserve Fund	-	-	-	32,785	17,698	15,087	7,792	22,879
Theater Reserve Fund	23,430	-	-	6,683	8,834	21,279	-	21,279
Recycling Fund	698	-	-	5,640	6,600	(262)	408	146
Debt Service Fund								
Bond and Interest Fund	5,195	-	-	40	5,235	-	-	-
Capital Project Fund								
Water Project Fund	706,356	-	-	901,592	1,733,321	(125,373)	147,313	21,940
Proprietary Fund Category								
Enterprise Funds								
Airport Fuel Fund	14,155	-	-	9,243	13,624	9,774	-	9,774
Waterworks Fund	399,393	-	-	436,994	465,278	371,109	1,250	372,359
Water Loan Fund	661,393	-	-	242,402	194,377	709,418	-	709,418
Sewer Fund	83,287	-	-	66,505	91,915	57,877	13	57,890
Sewer Loan Fund	350,478	-	-	98,635	64,291	384,822	-	384,822
Landfill Fund	7,023	-	-	4,791	6,100	5,714	-	5,714
Fiduciary Fund Category								
Private Purpose Trust Fund								
Obert Park Fund	2,800	-	-	2,925	1,972	3,753	-	3,753
Total Primary Government (Excluding Agency Funds)	<u>\$ 2,471,477</u>	<u>(6,079)</u>	<u>-</u>	<u>2,673,630</u>	<u>3,489,348</u>	<u>1,649,680</u>	<u>164,099</u>	<u>1,813,779</u>
				Composition of Cash				
								\$ 730,448
								1,077,848
								150
								26,083
								<u>1,834,529</u>
								<u>(20,750)</u>
								<u>\$ 1,813,779</u>

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

CITY OF ATWOOD, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2011

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Categories					
General Fund	\$ 695,747	49,242	744,989	708,643	(36,346)
Special Revenue Funds					
Airport Fund	5,000	-	5,000	4,363	(637)
Library Fund	39,473	-	39,473	39,715	242
Special Highway Fund	34,214	-	34,214	31,939	(2,275)
Special Parks and Recreation Fund	7,752	-	7,752	6,463	(1,289)
Tourism and Convention Fund	15,000	-	15,000	9,679	(5,321)
Atwood Township Fund	79,676	-	79,676	65,693	(13,983)
Community Playground Fund	1,594	-	1,594	608	(986)
Recycling Fund	8,847	-	8,847	6,600	(2,247)
Debt Service Fund					
Bond and Interest Fund	5,133	-	5,133	5,235	102
Proprietary Fund Category					
Enterprise Funds					
Airport Fuel Fund	21,379	-	21,379	13,624	(7,755)
Jayhawk Theater Commission Fund	2,324	-	2,324	-	(2,324)
Waterworks Fund	454,816	-	454,816	465,278	10,462
Water Loan Fund	195,996	-	195,996	194,377	(1,619)
Sewer Fund	117,000	-	117,000	91,915	(25,085)
Sewer Loan Fund	64,291	-	64,291	64,291	-
Landfill Fund	7,500	-	7,500	6,100	(1,400)
Fiduciary Fund Category					
Private Purpose Trust Fund					
Obert Park Fund	9,082	-	9,082	1,972	(7,110)

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

CITY OF ATWOOD, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over Under (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 209,933	218,016	225,880	(7,864)
Delinquent Tax	3,662	6,399	-	6,399
Motor Vehicle Tax	40,049	41,112	35,184	5,928
16/20 Vehicle Tax	1,993	1,744	1,984	(240)
Recreational Vehicle Tax	615	561	538	23
Intangibles Tax	30,858	23,852	20,300	3,552
Intergovernmental Revenues				
Local Alcoholic Liquor Tax	4,431	4,691	4,826	(135)
Local Sales Tax	134,504	143,236	80,000	63,236
Licenses and Permits				
Franchise Fees	108,156	101,967	100,000	1,967
Licenses, Permits and Fees	3,137	3,576	2,100	1,476
Charges for Services	90,091	105,176	63,500	41,676
Use of Money and Property	2,137	839	1,400	(561)
Miscellaneous	37,525	2,491	12,600	(10,109)
Reimbursements	15,986	49,242	-	49,242
Transfers In	-	5,235	-	5,235
Total Cash Receipts	683,077	708,137	548,312	159,825
Expenditures				
General Government	109,244	155,493	115,489	40,004
Police Department	217,684	179,631	155,192	24,439
Streets	66,878	51,107	101,427	(50,320)
Street Lighting	30,375	31,059	31,000	59
Fire	32,603	26,815	14,000	12,815
Court	6,633	10,650	10,500	150
Parks and Recreation	30,921	94,902	28,000	66,902
Employee Benefits	32,728	32,353	41,039	(8,686)
Economic Development	-	20,000	-	20,000
Neighborhood Revitalization Rebate	2,648	6,120	-	6,120
Miscellaneous	124,828	100,513	199,100	(98,587)
(a) Adjustment for Qualifying Budget Credit	-	-	49,242	(49,242)
Total Expenditures	654,542	708,643	744,989	(36,346)
Cash Receipts Over (Under) Expenditures	28,535	(506)		
Unencumbered Cash - Beginning As Previously Stated	137,569	166,104		
Prior Period Adjustment	-	(6,079)		
Unencumbered Cash - Ending As Restated	-	160,025		
Unencumbered Cash - Ending	\$ 166,104	159,519		
(a) Adjustment for Qualifying Budget Credit				
Reimbursed Expense Over Amount Budgeted			\$ 49,242	

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

CITY OF ATWOOD, KANSAS
Airport Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 4,067	4,227	4,375	(148)
Delinquent Tax	71	124	-	124
Motor Vehicle Tax	776	797	681	116
Recreational Vehicle Tax	12	11	10	1
16/20M Vehicle Tax	39	34	38	(4)
Total Cash Receipts	<u>4,965</u>	<u>5,193</u>	<u>5,104</u>	<u>89</u>
Expenditures				
Neighborhood Revitalization Rebate	52	119	-	119
Appropriations to Board	5,000	4,244	5,000	(756)
Total Expenditures	<u>5,052</u>	<u>4,363</u>	<u>5,000</u>	<u>(637)</u>
Cash Receipts Over (Under) Expenditures	(87)	830		
Unencumbered Cash - Beginning	<u>138</u>	<u>51</u>		
Unencumbered Cash - Ending	\$ <u>51</u>	<u>881</u>		

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

CITY OF ATWOOD, KANSAS

Library Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property Tax	\$ 10,193	10,592	10,965	(373)
Delinquent Tax	178	311	341	(30)
Motor Vehicle Tax	1,943	1,996	1,708	288
16/20 Vehicle Tax	97	85	96	(11)
Recreational Vehicle Tax	30	27	26	1
Intergovernmental Revenue				
Rawlins County	26,604	26,598	25,867	731
Total Cash Receipts	<u>39,045</u>	<u>39,609</u>	<u>39,003</u>	<u>606</u>
Expenditures				
Neighborhood Revitalization Rebate	129	297	-	297
Appropriations	38,949	39,418	39,473	(55)
Total Expenditures	<u>39,078</u>	<u>39,715</u>	<u>39,473</u>	<u>242</u>
Cash Receipts Over (Under) Expenditures	(33)	(106)		
Unencumbered Cash - Beginning	<u>470</u>	<u>437</u>		
Unencumbered Cash - Ending	<u>\$ 437</u>	<u>331</u>		

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

CITY OF ATWOOD, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Gasoline Tax	\$ 28,260	29,101	31,660	(2,559)
Expenditures				
Personal Services	25,497	31,939	34,214	(2,275)
Cash Receipts Over (Under) Expenditures	2,763	(2,838)		
Unencumbered Cash - Beginning	5,108	7,871		
Unencumbered Cash - Ending	\$ 7,871	5,033		

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

CITY OF ATWOOD, KANSAS
Special Parks and Recreation Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Liquor Tax	\$ 4,431	4,691	5,000	(309)
Miscellaneous	-	10	-	10
Total Cash Receipts	<u>4,431</u>	<u>4,701</u>	<u>5,000</u>	<u>(299)</u>
Expenditures				
Contractual Services	4,964	5,570	7,752	(2,182)
Commodities	1,198	893	-	893
Total Expenditures	<u>6,162</u>	<u>6,463</u>	<u>7,752</u>	<u>(1,289)</u>
Cash Receipts Over (Under) Expenditures	(1,731)	(1,762)		
Unencumbered Cash - Beginning	<u>5,503</u>	<u>3,772</u>		
Unencumbered Cash - Ending	\$ <u>3,772</u>	<u>2,010</u>		

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

CITY OF ATWOOD, KANSAS
Tourism and Convention Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Guest Tax	\$ 4,189	5,074	4,000	1,074
Donations	-	-	1,000	(1,000)
Total Cash Receipts	4,189	5,074	5,000	74
Expenditures				
Contractual Services	7,600	9,679	15,000	(5,321)
Cash Receipts Over (Under) Expenditures	(3,411)	(4,605)		
Unencumbered Cash - Beginning	16,277	12,866		
Unencumbered Cash - Ending	\$ 12,866	8,261		

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

CITY OF ATWOOD, KANSAS
Atwood Township Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Atwood Township	\$ 60,478	63,505	79,676	(16,171)
Expenditures				
Lake	45,930	51,796	47,676	4,120
Cemetery	11,725	13,897	32,000	(18,103)
Total Expenditures	57,655	65,693	79,676	(13,983)
Cash Receipts Over (Under) Expenditures	2,823	(2,188)		
Unencumbered Cash - Beginning	1,037	3,860		
Unencumbered Cash - Ending	\$ 3,860	1,672		

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

CITY OF ATWOOD, KANSAS
Atwood Walkway Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Donations	\$ 1,575	75
Expenditures		
Walkway Maintenance	1,442	-
Cash Receipts Over (Under) Expenditures	133	75
Unencumbered Cash - Beginning	3,459	3,592
Unencumbered Cash - Ending	\$ 3,592	3,667

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

CITY OF ATWOOD, KANSAS
Community Playground Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Interest	\$ -	-	5	(5)
Expenditures				
Playground Maintenance	500	608	1,594	(986)
Cash Receipts Over (Under) Expenditures	(500)	(608)		
Unencumbered Cash - Beginning	1,583	1,083		
Unencumbered Cash - Ending	\$ 1,083	475		

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

CITY OF ATWOOD, KANSAS
Special Equipment Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	14,633	14,633
Unencumbered Cash - Ending	\$ 14,633	14,633

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

CITY OF ATWOOD, KANSAS
Second Century Donations Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Donations	\$ 4,500	-
Expenditures		
Transfer to Park Reserve Fund	1,500	3,000
Cash Receipts Over (Under) Expenditures	3,000	(3,000)
Unencumbered Cash - Beginning	-	3,000
Unencumbered Cash - Ending	\$ 3,000	-

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

CITY OF ST. FRANCIS, KANSAS
Pool Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Donations	\$ -	10,000
Expenditures		
Pool Purchases	-	10,000
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	-

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

CITY OF ATWOOD, KANSAS
Park Reserve Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Donations	\$ -	23,785
Transfers In	-	9,000
Total Cash Receipts	-	32,785
Expenditures		
Park Improvements	-	17,698
Cash Receipts Over (Under) Expenditures	-	15,087
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	15,087

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

CITY OF ATWOOD, KANSAS
Theater Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Donations	\$ 26,950	6,683
Transfer From Jayhawk Theater Commission	2,324	-
Total Cash Receipts	29,274	6,683
Expenditures		
Capital Outlay	45,863	8,834
Cash Receipts Over (Under) Expenditures	(16,589)	(2,151)
Unencumbered Cash - Beginning	40,019	23,430
Unencumbered Cash - Ending	\$ 23,430	21,279

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

CITY OF ATWOOD, KANSAS
Recycling Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental Revenue				
Rawlins County	\$ 1,800	2,040	1,800	240
Transfers From Landfill Fund	3,875	3,600	5,000	(1,400)
Total Cash Receipts	5,675	5,640	<u>6,800</u>	<u>(1,160)</u>
Expenditures				
Contractual Services	5,024	6,600	<u>8,847</u>	<u>(2,247)</u>
Cash Receipts Over (Under) Expenditures	651	(960)		
Unencumbered Cash - Beginning	47	698		
Unencumbered Cash - Ending	\$ <u>698</u>	<u>(262)</u>		

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

CITY OF ATWOOD, KANSAS
Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Delinquent Tax	\$ 2	-	-	-
Interest	60	40	-	40
Total Cash Receipts	62	40	-	40
Expenditures				
Transfers Out	-	5,235	5,133	102
Cash Receipts Over (Under) Expenditures	62	(5,195)		
Unencumbered Cash - Beginning	5,133	5,195		
Unencumbered Cash - Ending	\$ 5,195	-		

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

CITY OF ATWOOD, KANSAS
Water Project Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Bond Proceeds	\$ 2,367,000	901,389
USDA Grant	1,604,988	-
Interest	2,214	203
Reimbursements	17,500	-
Total Cash Receipts	<u>3,991,702</u>	<u>901,592</u>
Expenditures		
GO Bond Fees	-	3,829
Temporary Note Principal	2,367,000	-
Temporary Note Interest	30,850	-
Project Costs	2,365,027	1,729,492
Total Expenditures	<u>4,762,877</u>	<u>1,733,321</u>
Cash Receipts Over (Under) Expenditures	(771,175)	(831,729)
Unencumbered Cash - Beginning	<u>1,477,531</u>	<u>706,356</u>
Unencumbered Cash - Ending	<u>\$ 706,356</u>	<u>(125,373)</u>

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

CITY OF ATWOOD, KANSAS
Airport Fuel Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Fuel Sales	\$ 10,953	9,243	17,000	(7,757)
Expenditures				
Fuel Purchases	5,556	13,624	21,379	(7,755)
Cash Receipts Over (Under) Expenditures	5,397	(4,381)		
Unencumbered Cash - Beginning	8,758	14,155		
Unencumbered Cash - Ending	\$ 14,155	9,774		

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

CITY OF ATWOOD, KANSAS
Jayhawk Theater Commission Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts	\$ -	-	-	-
Expenditures				
Transfer to Theater Reserve	2,013	-	2,324	(2,324)
Cash Receipts Over (Under) Expenditures	(2,013)	-		
Unencumbered Cash - Beginning	2,013	-		
Unencumbered Cash - Ending	\$ -	-		

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

CITY OF ATWOOD, KANSAS
Waterworks Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Collections	\$ 435,072	429,006	425,416	3,590
Penalties	7,460	4,172	-	4,172
Connection Fees	1,950	1,400	-	1,400
Miscellaneous	555	656	-	656
Reimbursed Expense	5,564	1,760	-	1,760
Total Cash Receipts	<u>450,601</u>	<u>436,994</u>	<u>425,416</u>	<u>11,578</u>
Expenditures				
Production	2,721	6,022	30,000	(23,978)
Treatment	14,679	7,571	20,000	(12,429)
Distribution	65,912	105,647	85,000	20,647
Administration	80,300	76,449	95,000	(18,551)
Operations	13,761	29,589	20,816	8,773
Transfers Out	240,000	240,000	204,000	36,000
Total Expenditures	<u>417,373</u>	<u>465,278</u>	<u>454,816</u>	<u>10,462</u>
Cash Receipts Over (Under) Expenditures	33,228	(28,284)		
Unencumbered Cash - Beginning	<u>366,165</u>	<u>399,393</u>		
Unencumbered Cash - Ending	<u>\$ 399,393</u>	<u>371,109</u>		

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

CITY OF ATWOOD, KANSAS
Water Loan Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Cash Receipts				
Interest	\$ 3,889	2,402	5,000	(2,598)
Transfer From Waterworks Fund	240,000	240,000	204,000	36,000
Total Cash Receipts	<u>243,889</u>	<u>242,402</u>	<u>209,000</u>	<u>33,402</u>
Expenditures				
Principle	19,000	50,632	72,000	(21,368)
Interest	68,819	143,745	123,996	19,749
Total Expenditures	<u>87,819</u>	<u>194,377</u>	<u>195,996</u>	<u>(1,619)</u>
Cash Receipts Over (Under) Expenditures	156,070	48,025		
Unencumbered Cash - Beginning	<u>505,323</u>	<u>661,393</u>		
Unencumbered Cash - Ending	\$ <u>661,393</u>	<u>709,418</u>		

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

CITY OF ATWOOD, KANSAS
Sewer Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Collections	\$ 69,850	66,505	77,500	(10,995)
Expenditures				
Personal Services	16,977	13,469	15,226	(1,757)
Contractual Services	14,095	37,186	21,574	15,612
Commodities	2,869	3,359	5,200	(1,841)
Capital Outlay	4,296	5,660	60,000	(54,340)
Sewer Line Cleaning	-	32,241	15,000	17,241
Total Expenditures	38,237	91,915	117,000	(25,085)
Cash Receipts Over (Under) Expenditures	31,613	(25,410)		
Unencumbered Cash - Beginning	51,674	83,287		
Unencumbered Cash - Ending	\$ 83,287	57,877		

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

CITY OF ATWOOD, KANSAS
Sewer Loan Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Service Fees	\$ 102,282	97,468	79,500	17,968
Interest	2,135	1,167	3,000	(1,833)
Total Cash Receipts	104,417	98,635	82,500	16,135
Expenditures				
Principle	47,113	48,771	48,771	-
Interest	17,177	15,520	15,520	-
Total Expenditures	64,290	64,291	64,291	-
Cash Receipts Over (Under) Expenditures	40,127	34,344		
Unencumbered Cash - Beginning	310,351	350,478		
Unencumbered Cash - Ending	\$ <u>350,478</u>	<u>384,822</u>		

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

CITY OF ATWOOD, KANSAS
Landfill Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Collections	\$ 4,906	4,791	5,000	(209)
Expenditures				
Truck Expense	2,500	2,500	2,500	-
Transfers Out	3,875	3,600	5,000	(1,400)
Total Expenditures	6,375	6,100	7,500	(1,400)
Cash Receipts Over (Under) Expenditures	(1,469)	(1,309)		
Unencumbered Cash - Beginning	8,492	7,023		
Unencumbered Cash - Ending	\$ 7,023	5,714		

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

CITY OF ATWOOD, KANSAS
Obert Park Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Obert Trust Donation	\$ 2,500	2,925	5,000	(2,075)
Expenditures				
Personal Services	7,863	1,972	5,620	(3,648)
Contractual Services	-	-	3,462	(3,462)
Total Expenditures	7,863	1,972	9,082	(7,110)
Cash Receipts Over (Under) Expenditures	(5,363)	953		
Unencumbered Cash - Beginning	8,163	2,800		
Unencumbered Cash - Ending	\$ 2,800	3,753		

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

CITY OF ATWOOD, KANSAS
Agency Funds
 Summary of Cash Receipts and Cash Disbursements
 For the Year Ended December 31, 2011

Funds	Beginning Cash Balance	Prior Period Adjustment	Cash Receipts	Cash Disbursements	Ending Cash Balance
Sanitation	\$ 184	-	79,424	79,705	(97)
Flexible Spending Plan	513	6,079	9,900	9,021	7,471
Atwood Centennial	7,362	-	-	-	7,362
Atwood Beautification	10,133	-	4,176	8,295	6,014
Total Agency Funds	<u>\$ 18,192</u>	<u>6,079</u>	<u>93,500</u>	<u>97,021</u>	<u>20,750</u>

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

CITY OF ATWOOD, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Atwood, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to 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. The following is a summary of such significant policies.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and five elected council members. The financial statements consist of all the funds of the City. The City receives funding from local, state, and federal government sources and must comply with the requirements of these funding sources.

The City is the primary government as defined in GASB #14 and further amended by GASB #39. The City Council is elected by the public. The Council has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters.

These financial statements present **City of Atwood, Kansas** (primary government) and none of its component units. The following are component units of the City. The City exercises significant influence or accountability based primarily on operational or financial relationships with the City.

Atwood Public Library

This entity provides services to residents, generally within the geographic boundaries of the government. The seven-member library board is appointed by the Atwood City Council. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City. The City substantially funds the boards operations by levying tax dollars for the Library. Contact the City Clerk's office for information on how to obtain financial information.

Housing Authority of the City of Atwood

The five-member board is appointed by the Mayor, subject to the consent of the majority of the council members. The Housing Authority can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City. Contact the Housing Authority's office for a copy of the audited financial statements.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2011.

CITY OF ATWOOD, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Categories

General Fund – to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

Debt Service Funds – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Project Funds – to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Fund Category

Enterprise Funds – to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Categories

Private Purpose Trust Funds – to account for assets held by the City as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

Agency Funds – to account for assets held by the City as trustee or agent for others.

Statutory Basis of Accounting

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

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

CITY OF ATWOOD, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

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), debt service funds and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. 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 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were three budget amendments for this year for the General Fund, Sewer Fund and Water Loan Fund.

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

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

CITY OF ATWOOD, KANSAS

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A legal operating budget is not required for capital project funds, fiduciary funds, permanent funds and the following special revenue funds: Atwood Walkway Fund, Special Equipment Fund, Second Century Donations Fund, Pool Reserve Fund, Park Reserve Fund, and Theater 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.

Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

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.

K.S.A. 12-1675 limits the City's investments 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 K.S.A. 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, except during designated "peak periods" when required coverage is 50%. The City does not use "peak periods". All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$1,834,529 and the bank balance was \$1,847,606. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$523,554 was covered by federal depository insurance and \$1,324,052 was collateralized with securities held by pledging financial institutions' agents in the City's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2011.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Vacation

After completing one full year of employment, all full-time regular City employees are eligible to participate in the paid vacation program. Employees with less than 20 years service accrue 1 day per month. Employees with 20 or more years service accrue 1.5 days per month. No more than 36 days of vacation may be accrued. Employees will be paid for any accrued and unused vacation when their employment terminates.

Sick Leave

The City provides paid sick days to all full-time employees immediately upon employment. Eligible employees accrue one day per month. Employees may accrue an indefinite amount of sick leave. The City will pay employees for up to 30 unused sick days at a rate of 33% of regular pay per hour upon voluntary separation. Employees may transfer their accrued sick leave hours, not to exceed 240 hours, to another eligible employee with approval by the Mayor. At retirement, the City will pay up to and including 30 accrued sick days at the current pay scale for the individual.

A potential liability for accumulated sick and vacation leave is shown on the schedule of long-term debt.

Deferred Compensation Plan

The City sponsors a deferred compensation plan under Internal Revenue Code Section 403(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The District is not required to make any contributions.

Defined Benefit Pension Plan

Plan Description

The City contributes to the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established for calendar year 2011 was 7.74%. The City's employer contributions to KPERs for the years ending December 31, 2011, 2010 and 2009 were \$19,930, \$17,274, and \$13,168, respectively, equal to the required contributions for each year as set forth by the legislature.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City 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

CITY OF ATWOOD, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust and agency funds of the City for special purposes.

Reimbursements

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

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Atwood Kansas'** interfund transfers and statutory authority for the year ended December 31, 2011 were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Waterworks Fund	Water Loan Fund	K.S.A. 12-825d	\$ 240,000
Landfill Fund	Recycling Fund	K.S.A. 12-2104	3,600
Second Century Donations Fund	Park Reserve Fund	Closing Fund	3,000
General Fund	Park Reserve Fund	Council Approved	6,000
Bond and Interest Fund	General Fund	Closing Fund	5,235

CITY OF ATWOOD, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 3 – CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project Authorization	Cash Disbursements and Accounts Payable to Date
Water System Project	\$ 6,545,995	\$ 5,138,853

NOTE 4 – LITIGATION

City of Atwood, Kansas is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

NOTE 5 – RISK MANAGEMENT

City of Atwood, Kansas carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, umbrella, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 – GRANTS AND SHARED REVENUES

City of Atwood, Kansas participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 7 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **City of Atwood, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

The City has changed the grouping of the accounts in the financial statements in the current year and the prior year comparative totals have been changed to be in conformity with these changes.

NOTE 8 – RELATED PARTY TRANSACTIONS

During 2011, the City paid Robert Prideaux, father of a councilmember, approximating \$3,660 for janitorial work.

CITY OF ATWOOD, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 9 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures were in excess of available monies in the Recycling fund of \$(262) and the Sanitation fund of \$(97) which is violation of K.S.A. 10-1113.

The City has a check outstanding for over two years that has not been restored to the fund originally charged, which is a violation of K.S.A. 10-815.

Expenditures exceeded budgeted amounts in the following funds, which is in violation of K.S.A. 79-2935:

Library Fund	\$ 242
Waterworks Fund	10,462

The Bond and Interest Fund expenditures exceeded budgeted amounts by \$102. This is not a budget violation because it was caused by transferring the remaining cash to the General Fund to close the fund.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

The General Fund and the Flexible Spending Plan Fund were adjusted for prior period errors. Cash was previously misstated between the two funds. The restatement decreases cash \$6,079 for the current year beginning unencumbered cash in the General Fund and increases current year beginning unencumbered cash in the Flexible Spending Plan Fund.

NOTE 11 – LONG-TERM DEBT

City of Atwood, Kansas has the following types of long-term debt.

General Obligation Bonds

On June 28, 2004, the City issued \$1,642,900 in Series 2004 bonds for the purpose of water system enhancements.

On December 28, 2010, the City issued \$1,500,000 in Series A 2010 general obligation bonds for the purpose of water system enhancements.

On December 28, 2010, the City issued \$867,000 in Series B 2010 general obligation bonds for the purpose of water system enhancements.

KDHE Revolving Loan

The City entered into an \$827,519 revolving loan agreement on December 31, 1999 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas to finance the construction of a sewer lagoon.

Lease Obligations

The City has entered into lease agreements with an option to purchase at the expiration of the lease terms. The leases contain a fiscal funding clause.

CITY OF ATWOOD, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 11 - LONG-TERM DEBT (continued)

Changes in long-term liabilities for the City for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
Series 2004 Water System	4.38%	6/28/2004	\$ 1,642,900	6/28/2044	\$ 1,554,000	-	20,000	(20,000)	1,534,000	67,988
Series 2010A Water System	3.75%	12/28/2010	1,500,000	12/28/2050	1,500,000	-	16,739	(16,739)	1,483,261	56,250
Series 2010B Water System	2.25%	12/28/2010	867,000	12/28/2050	867,000	-	13,893	(13,893)	853,107	19,508
KDHE Loan										
Water Pollution Control Project	3.49%	12/31/1999	827,519	9/1/2021	456,786	-	48,771	(48,771)	408,015	17,177
Capital Leases Payable										
Bobcat and Attachments	5.25%	12/30/2009	47,899	12/30/2013	28,742	-	9,380	(9,380)	19,362	1,650
Police Vehicles	5.25%	3/8/2010	58,844	12/30/2014	47,798	-	12,576	(12,576)	35,222	2,515
Theater Equipment	5.25%	4/20/2010	45,000	4/20/2015	36,895	-	8,295	(8,295)	28,600	1,786
Total Contractual Indebtedness					4,491,221	-	129,654	(129,654)	4,361,567	166,874
Compensated Absences					15,190	-	-	35,356	50,546	-
Total Long-Term Debt					<u>\$ 4,506,411</u>	<u>-</u>	<u>129,654</u>	<u>(94,298)</u>	<u>4,412,113</u>	<u>166,874</u>

CITY OF ATWOOD, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 11 - LONG-TERM DEBT (continued)

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

	YEAR												Total
	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2046	2047-2050	
Principal													
General Obligation Bonds	\$ 52,260	54,224	56,219	58,247	60,308	337,728	405,020	489,038	587,834	706,678	671,071	391,741	3,870,368
KDHE Loan	50,488	52,265	54,105	56,010	57,982	137,164	-	-	-	-	-	-	408,015
Capital Leases Payable	29,720	31,010	20,805	1,648	-	-	-	-	-	-	-	-	83,184
Total Principal	132,468	137,500	131,129	115,906	118,290	474,892	405,020	489,038	587,834	706,678	671,071	391,741	4,361,567
Interest													
General Obligation Bonds	141,930	140,047	138,089	136,055	28,620	96,120	12,690	487,287	388,765	269,335	128,233	32,568	1,999,738
KDHE Loan	13,803	12,026	10,186	8,281	3,065	9,045	470	-	-	-	-	-	56,876
Capital Leases Payable	4,911	3,337	1,694	522	-	-	-	-	-	-	-	-	10,464
Total Interest	160,644	155,410	149,969	144,858	31,685	105,165	13,160	487,287	388,765	269,335	128,233	32,568	2,067,078
Total Principal and Interest	\$ 293,112	292,910	281,098	260,764	149,975	580,057	418,180	976,325	976,599	976,013	799,304	424,309	6,428,645

CITY OF ATWOOD

Supplementary Information



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

To the City Council
City of Atwood, Kansas
Atwood, Kansas

We have audited the financial statements of **City of Atwood, Kansas** as of and for the year ended December 31, 2011, and have issued our report thereon dated July 19, 2012. The report on the audited financial statements was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was unqualified as presented 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. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of **City of Atwood, Kansas** is responsible for establishing and maintaining effective internal control over financial planning. In planning and performing our audit, we considered **City of Atwood, Kansas'** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **City of Atwood, Kansas'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **City of Atwood, Kansas'** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 deficiency described in the accompanying schedule of findings and questioned costs (2011-1) to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (2011-2 and 2011-3) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **City of Atwood, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of **City of Atwood, Kansas** in a separate letter dated July 19, 2012.

City of Atwood, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit **City of Atwood, Kansas'** response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities, 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.



ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

July 19, 2012



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council
City of Atwood, Kansas
Atwood, Kansas

Compliance

We have audited **City of Atwood, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **City of Atwood, Kansas'** major federal programs for the year ended December 31, 2011. **City of Atwood, Kansas'** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **City of Atwood, Kansas'** management. Our responsibility is to express an opinion on **City of Atwood, Kansas'** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **City of Atwood, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **City of Atwood, Kansas'** compliance with those requirements.

In our opinion, **City of Atwood, Kansas** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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

compliance. Accordingly, we do not express an opinion on the effectiveness of **City of Atwood, Kansas'** internal control over compliance.

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

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

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies and pass-through entities, 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.



ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

July 19, 2012

CITY OF ATWOOD, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness identified? X Yes No
- Significant deficiencies identified? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness identified? Yes X No
- Significant deficiency identified? Yes X None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.781	Water and Waste Disposal Systems for Rural Communities - ARRA

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF ATWOOD, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

2011-1

Criteria or specific requirement

Internal controls should be in place to insure that employees do not have incompatible duties.

Condition

Proper segregation of duties does not exist in the accounting system.

Effect

Management may not become aware of the problems or irregularities within a timely manner.

Cause

The City is unable to hire additional personnel due to its size.

Recommendation

Procedures should be established and implemented where the City implements segregation of duties in the receipts and expenditures cycles and implements additional internal control.

Views of responsible officials and planned corrective actions

The City is aware that employees have incompatible duties, and that additional control measures can be implemented to compensate for this. The City will work on implementing additional controls to compensate for the lack of segregation of duties.

B. Significant Deficiency in Internal Control

2011-2

Criteria or specific requirement

Client personnel responsible for the accounting and reporting function should have the necessary skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or when preparing financial statements.

Condition

Client personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply generally accepted accounting principles.

Effect

Financial transactions and financial statements may not properly reflect financial information in accordance with generally accepted accounting principles.

Cause

The City's employees are unable to obtain the training necessary to obtain these skills due to its size and financial resources.

Recommendation

Continual training of accounting personnel should be implemented to ensure financial transactions and financial statements are being presented as accurately as possible.

CITY OF ATWOOD, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

2011-2 (continued)

Views of responsible officials and planned corrective actions

The City is aware that personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply generally accepted accounting principles. However, due to the size and financial resources of the City, it would not be feasible to obtain the necessary training.

2011-3

Criteria or specific requirement

All signature stamps should be under lock and key when not in use and retained by the owner.

Condition

Proper custody of stamps does not exist in the disbursement process

Effect

Unauthorized expenditures could occur and not be detected on a timely basis.

Cause

The City requires all checks be signed by the Clerk and Mayor. The City Clerk is signing all of the checks and stamping the Mayor's signature on the checks.

Recommendation

The stamp should either be destroyed or kept in the Mayor's possession so he has control of the use of his signature. All signature stamps should be under lock and key when not in use. We also recommend that he either sign the checks or stamp the checks himself.

Views of responsible officials and planned corrective actions

The signature stamps are now being kept under lock and key and the Mayor now retains and uses his signature stamp.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs are required to be disclosed under OMB Circular A-133.

CITY OF ATWOOD, KANSAS
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2011

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

UNITED STATES DEPARTMENT OF AGRICULTURE

Water and Waste Disposal Systems for Rural Communities – CFDA No. 10.760 and ARRA – Water and Waste Disposal Systems for Rural Communities – CFDA No. 10.781 for the year ended December 31, 2010.

2010-3 Segregation of Duties

Criteria or specific requirement

Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Condition

The limited staff size does not provide for adequate segregating of duties.

Effect

Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Cause

Because the entity is small, management does not feel it is feasible to hire more staff.

Recommendation

Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Current Status:

The City has hired the engineer, who has extensive experience working with state and federally funded water project grants, to also serve as the grant administrator for the major program. Therefore, the increased oversight, review, and approval of grant expenditures and compliance requirements has allowed for adequate segregation of duties.

CITY OF ATWOOD, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass- through Number	Federal Expenditures
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities - ARRA	10.781	KS-91-06-01 KS-00-07-01	\$ 1,733,321
U.S. Department of Agriculture			
Passed Through Kansas State University Cooperative Forestry Assistance	10.664	11-DG-11-020000-026	<u>3,600</u>
Total Expenditures of Federal Awards			\$ <u>1,736,921</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF ATWOOD, KANSAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **City of Atwood, Kansas**, and is presented on the 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 generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



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July 19, 2012

To the City Council and Management
City of Atwood, Kansas
Atwood, Kansas

Management Letter

In planning and performing our audit of the primary government financial statements of **City of Atwood, Kansas** as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 a material weakness 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 statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the City's internal control to be a material weakness.

- The City does not have proper segregation of accounting duties necessary to establish good system of internal controls. We understand that the size of the City's accounting and administrative staff and related budget constraints preclude management from hiring additional personnel to achieve proper segregation of duties. This situation dictates that the City Council remains involved in the financial affairs of the City to provide oversight and independent review functions. We recommend implementing the following controls to improve segregation of duties: City Treasurer should receive the bank statements unopened or electronically and review the statements, an individual without check writing responsibility/authority should prepare the bank reconciliation, deposits should be received and totaled by one individual, entered into the accounting system by a different individual, and then the first individual in the process should take the deposit to the bank. We commend the City Clerk for implementing the above suggestions almost immediately at the conclusion of the audit.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the City's internal control to be significant deficiencies.

City of Atwood, Kansas

Page 2

July 19, 2012

- Statement on Auditing Standards No. 115 (SAS No. 115) requires client personnel responsible for the accounting and reporting function to have the necessary skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or when preparing financial statements. Due to the limited size of the City, it is not practical to hire fully qualified staff to the extent that they possess all the skills in order to apply generally accepted accounting principles when preparing financial statements, including relevant footnote disclosures. It is important to note the accounting personnel of the City are not expected to have this kind of knowledge. In order to obtain the necessary knowledge, the personnel would have to obtain extensive and continuous training, which is not feasible.
- The City requires all checks be signed by the Clerk and Mayor. The purpose of this control is to involve more than one person in the expenditure process so no one individual can write a check and to ensure proper review has taken place. However, the City Clerk is signing all of the checks and stamping the Mayor's signature on the checks. We recommend that the stamp is either destroyed or kept in the Mayor's possession so he has control of the use of his signature. All signature stamps should be kept under lock and key when not in use. We also recommend that he either sign the checks or stamp the checks himself. This will ensure all checks are reviewed by at least two individuals before making payments and increase internal control. After discussion with the City Clerk at the conclusion of the audit, the signature stamps are now being kept under lock and key and the Mayor now retains and uses his signature stamp.

We would like to express our appreciation for the opportunity to perform the December 31, 2011 audit for **City of Atwood, Kansas** and to the employees for the cooperation and assistance given to us during the audit.

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



ADAMS, BROWN, BERAN & BALL, CHTD.

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