

CITY OF LACROSSE, KANSAS

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2011

CITY OF LACROSSE, KANSAS
 Financial Statements With Independent Auditors' Report
 For the Year Ended December 31, 2011

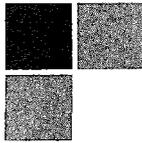
TABLE OF CONTENTS

Independent Auditors' Report.....	1
Statement 1 - Summary of Cash Receipts, Expenditures, and Unencumbered Cash.....	3
Statement 2 - Summary of Expenditures – Actual and Budget.....	4
Statement 3 - Statement of Cash Receipts and Expenditures - Actual and Budget Individually Presented by Fund	
Governmental Fund Categories	
General Fund	
3-1 General Fund	5
Special Revenue Funds	
3-2 Trafficways	9
3-3 Equipment Reserve.....	10
3-4 Capital Improvement Reserve.....	11
3-5 Capital Improvement Reserve – Streets	12
3-6 Special Parks	13
Capital Project Fund	
3-7 Capital Project – Sewer Project.....	14
Proprietary Fund Category	
Enterprise Funds	
3-8 Sanitation Utility.....	15
3-9 Sewer Utility Reserve.....	16
3-10 Revenue Water Utility.....	17
3-11 Water Depreciation Reserve.....	19
3-12 Revenue Electric Utility.....	20
3-13 Electric Depreciation Reserve.....	22
Fiduciary Fund Category	
Private Purpose Trust Funds	
3-14 Cemetery Trusts.....	23
3-15 Customer Deposits.....	24
Notes to Financial Statements.....	25
Supplementary Information	
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 <i>Government Auditing Standards</i>	32
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	34

CITY OF LACROSSE, KANSAS
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2011

TABLE OF CONTENTS (continued)

Schedule of Findings and Questioned Costs	36
Summary Schedule of Prior Audit Findings	39
Schedule of Expenditures of Federal Awards	40
Notes to Schedule of Expenditures of Federal Awards	41



Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Commission
City of LaCrosse, Kansas
LaCrosse, Kansas

We have audited the accompanying financial statements of **City of LaCrosse, 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 LaCrosse, 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.

As described more fully in Note 1, **City of LaCrosse, 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 effects 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 LaCrosse, 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 LaCrosse, 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 11, 2012 on our consideration of **City of LaCrosse, 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 LaCrosse, 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

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

July 25, 2012

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

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Government Fund Categories							
General Fund	\$ 198,224	-	760,508	811,697	147,034	37,092	184,126
Special Revenue Funds							
Trafficways	20,672	-	33,289	37,023	16,938	555	17,493
Equipment Reserve	44,705	-	40,000	29,261	55,444	9,694	65,138
Capital Improvement Reserve	97,804	-	66,268	13,523	150,549	1,148	151,697
Capital Improvement Reserve - Streets	280,142	-	124,540	354,677	50,005	-	50,005
Special Parks	3,201	-	384	992	2,593	-	2,593
Capital Project Fund							
Capital Project - Sewer Project	-	-	696,005	2,052,008	(1,356,003)	1,356,003	-
Proprietary Fund Category							
Enterprise Funds							
Sanitation Utility	110,664	-	339,535	374,032	76,167	17,188	93,355
Sewer Utility Reserve	195,932	-	100,000	28,998	266,934	-	266,934
Revenue Water Utility	74,746	-	322,102	319,445	77,403	16,028	93,431
Water Depreciation Reserve	275,138	-	25,000	5,295	294,843	-	294,843
Revenue Electric Utility	289,763	-	1,334,299	1,233,781	390,281	70,421	460,702
Electric Depreciation Reserve	731,175	-	25,000	11,462	744,713	-	744,713
Fiduciary Fund Category							
Fiduciary Funds							
Cemetery Trusts	37,577	-	56	185	37,448	-	37,448
Customer Deposits	-	-	13,525	13,525	-	30,234	30,234
Total Reporting Entity	\$ 2,359,743	-	3,880,510	5,285,904	954,349	1,538,363	2,492,712
Composition of Cash							
					Certificates of Deposits	2,107,000	
					Savings Accounts	9,962	
					Checking Accounts	375,078	
					Cash on Hand	672	
					Total Reporting Entity	\$	2,492,712

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

CITY OF LACROSSE, 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 Budget	Variance Over (Under)
Governmental Fund Categories					
General Fund	\$ 854,108	-	854,108	811,697	(42,411)
Special Revenue Funds					
Trafficways	66,561	-	66,561	37,023	(29,538)
Special Parks	5,180	-	5,180	992	(4,188)
Proprietary Fund Category					
Enterprise Funds					
Sanitation Utility	412,150	-	412,150	374,032	(38,118)
Revenue Water Utility	335,750	-	335,750	319,445	(16,305)
Revenue Electric Utility	1,352,710	-	1,352,710	1,233,781	(118,929)

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

CITY OF LACROSSE, 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)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 329,554	324,363	323,450	913
Intangible Tax	28,867	22,621	20,937	1,684
Vehicle Tax	61,641	65,004	68,934	(3,930)
Local Sales Tax	120,279	124,540	130,000	(5,460)
Total Taxes	<u>540,341</u>	<u>536,528</u>	<u>543,321</u>	<u>(6,793)</u>
Intergovernmental				
Alcohol-Liquor Distribution	595	384	1,315	(931)
Licenses and Permits				
Franchise Fees	45,992	37,066	40,000	(2,934)
Liquor and Beer Licenses	1,150	1,350	500	850
Permits and Inspections	915	1,245	1,000	245
Dog Tags and Fees	653	413	200	213
Total Licenses and Permits	<u>48,710</u>	<u>40,074</u>	<u>41,700</u>	<u>(1,626)</u>
Charges for Services				
Sale of Cemetery Lots	6,305	8,915	7,000	1,915
Fines and Forfeitures				
Fines and Fees	15,903	10,033	7,000	3,033
Use of Money and Property				
Swimming Pool	6,528	6,714	5,000	1,714
Community Building	6,164	5,292	3,000	2,292
Interest on Idle Funds	13,365	7,961	30,000	(22,039)
Miscellaneous	27,549	16,507	10,000	6,507
Transfers In	150,000	128,100	128,100	-
Total Use of Money and Property	<u>203,606</u>	<u>164,574</u>	<u>176,100</u>	<u>(11,526)</u>
Total Cash Receipts	<u>\$ 815,460</u>	<u>760,508</u>	<u>776,436</u>	<u>(15,928)</u>

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

CITY OF LACROSSE, 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)
		Actual	Budget	
Expenditures				
General Government				
Salaries	\$ 93,538	95,430	101,970	(6,540)
Office Supplies	1,607	2,113	2,000	113
Telephone	3,051	3,075	4,500	(1,425)
Insurance	16,527	15,404	17,500	(2,096)
Bonds	100	200	300	(100)
Legal Publication	737	568	800	(232)
Dogs	637	400	900	(500)
Auto	1,885	1,869	2,000	(131)
Repairs	878	910	3,925	(3,015)
Miscellaneous	11,544	10,363	10,000	363
Accounting and Legal	17,193	17,940	15,000	2,940
Risk Management	500	-	2,500	(2,500)
Demolition	-	8,597	10,000	(1,403)
Total General Government	<u>148,197</u>	<u>156,869</u>	<u>171,395</u>	<u>(14,526)</u>
Police Department				
Salaries	117,332	134,795	123,600	11,195
Telephone	5,632	3,617	5,000	(1,383)
Insurance	3,936	3,355	3,500	(145)
Jail Keep	350	245	1,000	(755)
Gas and Oil	7,917	9,859	8,500	1,359
Auto Expense	6,651	11,272	6,000	5,272
Dispatcher	25,344	25,903	25,000	903
Miscellaneous	10,565	10,881	8,000	2,881
Total Police Department	<u>177,727</u>	<u>199,927</u>	<u>180,600</u>	<u>19,327</u>
Street Department				
Salaries	14,712	16,185	20,600	(4,415)
Insurance	3,041	2,791	3,000	(209)
Gas and Oil	3,508	5,633	7,500	(1,867)
Truck and Car Maintenance	8,065	2,396	4,000	(1,604)
Tractor Maintenance	1,282	355	2,500	(2,145)
Sweeper Maintenance	1,751	929	2,000	(1,071)
Shop Expense	3,582	2,464	2,500	(36)
Supplies	5,656	3,263	4,000	(737)
Miscellaneous	1,503	2,703	1,000	1,703
Total Street Department	<u>\$ 43,100</u>	<u>36,719</u>	<u>47,100</u>	<u>(10,381)</u>

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

CITY OF LACROSSE, 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
		Actual	Budget	
Community Building				
Insurance	\$ 5,095	5,393	5,000	393
Supplies	2,398	3,977	3,500	477
Telephone and Utilities	6,578	5,180	10,000	(4,820)
Total Community Building	<u>14,071</u>	<u>14,550</u>	<u>18,500</u>	<u>(3,950)</u>
Park Department				
Salaries	352	2,543	4,244	(1,701)
Gas and Oil	1,000	1,000	1,000	-
Supplies	2,329	882	1,900	(1,018)
Mower Maintenance	1,201	2,336	1,850	486
Miscellaneous	709	284	750	(466)
Total Park Department	<u>5,591</u>	<u>7,045</u>	<u>9,744</u>	<u>(2,699)</u>
Cemetery Department				
Salaries	7,306	4,856	4,244	612
Gas and Oil	2,338	3,145	3,000	145
Supplies	572	475	2,000	(1,525)
Total Cemetery Department	<u>10,216</u>	<u>8,476</u>	<u>9,244</u>	<u>(768)</u>
Swimming Pool				
Salaries	20,556	18,142	18,025	117
Insurance	2,214	2,329	2,500	(171)
Repairs	908	2,318	2,500	(182)
Supplies	1,225	1,905	4,500	(2,595)
Telephone and Utilities	90	165	500	(335)
Total Swimming Pool	<u>24,993</u>	<u>24,859</u>	<u>28,025</u>	<u>(3,166)</u>
Employees Benefits				
Health Insurance	48,102	44,313	71,000	(26,687)
Social Security	45,686	44,958	50,000	(5,042)
KPERS	39,112	41,843	30,000	11,843
Unemployment Insurance	571	589	1,000	(411)
Workmen's Compensation	16,178	17,009	17,500	(491)
Total Employee Benefits	<u>\$ 149,649</u>	<u>148,712</u>	<u>169,500</u>	<u>(20,788)</u>

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

CITY OF LACROSSE, 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)
		Actual	Budget	
Transfers Out	\$ 190,279	214,540	220,000	(5,460)
Total Expenditures	763,823	811,697	854,108	(42,411)
Cash Receipts Over (Under) Expenditures	51,637	(51,189)		
Unencumbered Cash - Beginning	146,587	198,224		
Unencumbered Cash - Ending	\$ 198,224	147,034		

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

CITY OF LACROSSE, KANSAS
Trafficways

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				
State Aid	\$ 32,893	33,289	35,000	(1,711)
Expenditures				
Salaries	21,182	20,363	20,000	363
Supplies	15,036	8,297	10,000	(1,703)
Road Oil, Sand and Asphalt	28,084	8,363	36,561	(28,198)
Total Expenditures	64,302	37,023	66,561	(29,538)
Cash Receipts Over (Under) Expenditures	(31,409)	(3,734)		
Unencumbered Cash - Beginning	52,081	20,672		
Unencumbered Cash - Ending	\$ 20,672	16,938		

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

CITY OF LACROSSE, KANSAS
Equipment Reserve
 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		
Transfers In	\$ 20,000	40,000
Expenditures		
Capital Outlay	58,035	29,261
Cash Receipts Over (Under) Expenditures	(38,035)	10,739
Unencumbered Cash - Beginning	82,740	44,705
Unencumbered Cash - Ending	\$ 44,705	55,444

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

CITY OF LACROSSE, KANSAS
Capital Improvement Reserve
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		
Transfers In	\$ 50,000	50,000
Reimbursements	-	16,268
Total Cash Receipts	<u>50,000</u>	<u>66,268</u>
Expenditures		
Capital Outlay	<u>34,790</u>	<u>13,523</u>
Cash Receipts Over (Under) Expenditures	15,210	52,745
Unencumbered Cash - Beginning	<u>82,594</u>	<u>97,804</u>
Unencumbered Cash - Ending	<u>\$ 97,804</u>	<u>150,549</u>

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

CITY OF LACROSSE, KANSAS
Capital Improvement Reserve - Streets
 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		
Transfers In	\$ 120,279	124,540
KDHE Loan Proceeds	326,618	-
Total Cash Receipts	<u>446,897</u>	<u>124,540</u>
Expenditures		
Capital Outlay	48,390	354,677
KDHE Loan Repayment	245,811	-
Total Expenditures	<u>294,201</u>	<u>354,677</u>
Cash Receipts Over (Under) Expenditures	152,696	(230,137)
Unencumbered Cash - Beginning	<u>127,446</u>	<u>280,142</u>
Unencumbered Cash - Ending	\$ <u><u>280,142</u></u>	<u><u>50,005</u></u>

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

CITY OF LACROSSE, KANSAS
Special Parks
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				
Local Alcoholic Liquor Tax	\$ 595	384	1,315	(931)
Expenditures				
Commodities	344	992	5,180	(4,188)
Cash Receipts Over (Under) Expenditures	251	(608)		
Unencumbered Cash - Beginning	2,950	3,201		
Unencumbered Cash - Ending	\$ 3,201	2,593		

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

CITY OF LACROSSE, KANSAS
Capital Project - Sewer Project
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		
KDHE Loan Proceeds	\$ -	696,005
Expenditures		
Capital Outlay	-	2,052,008
Cash Receipts Over (Under) Expenditures	-	(1,356,003)
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	(1,356,003)

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

CITY OF LACROSSE, KANSAS
Sanitation Utility
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				
Sewer Service	\$ 149,625	172,387	195,000	(22,613)
Trash Service	165,095	165,546	155,000	10,546
Landfill	843	732	700	32
Miscellaneous	568	870	-	870
Total Cash Receipts	<u>316,131</u>	<u>339,535</u>	<u>350,700</u>	<u>(11,165)</u>
Expenditures				
Salaries	81,561	83,175	82,400	775
Medical Insurance	10,507	10,826	12,000	(1,174)
Disposal Plant Expense	1,210	1,494	5,000	(3,506)
Insurance	2,957	3,110	3,000	110
Gas and Oil	318	500	500	-
Office Expense	794	739	750	(11)
Sewer Repairs and Supplies	5,347	1,377	6,000	(4,623)
Trash Service	2,122	2,118	2,500	(382)
Contracted Service	160,001	160,965	165,000	(4,035)
Miscellaneous	1,620	2,420	5,000	(2,580)
Capital Improvements	-	7,308	30,000	(22,692)
Transfers Out	50,000	100,000	100,000	-
Total Expenditures	<u>316,437</u>	<u>374,032</u>	<u>412,150</u>	<u>(38,118)</u>
Cash Receipts Over (Under) Expenditures	(306)	(34,497)		
Unencumbered Cash - Beginning	<u>110,970</u>	<u>110,664</u>		
Unencumbered Cash - Ending	\$ <u>110,664</u>	<u>76,167</u>		

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

CITY OF LACROSSE, KANSAS
Sewer Utility Reserve
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		
Transfers In	\$ 50,000	100,000
Expenditures		
Repairs	36,268	28,998
Cash Receipts Over (Under) Expenditures	13,732	71,002
Unencumbered Cash - Beginning	182,200	195,932
Unencumbered Cash - Ending	\$ 195,932	266,934

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

CITY OF LACROSSE, KANSAS
Revenue Water Utility
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				
Sales to Consumers	\$ 321,804	317,457	300,000	17,457
Water Fee for State Water Project	1,651	1,617	3,000	(1,383)
Tap Fees	-	-	2,000	(2,000)
Service Charges	1,281	1,240	1,115	125
Bulk Sales	-	-	300	(300)
Miscellaneous	3,488	1,788	-	1,788
Total Cash Receipts	328,224	322,102	306,415	15,687
Expenditures				
Administration				
Medical Insurance	-	-	500	(500)
Office Supplies	1,859	1,509	1,500	9
Water Fee for State Water Project	3,191	3,138	4,500	(1,362)
Miscellaneous	240	724	750	(26)
Total Administration	5,290	5,371	7,250	(1,879)
Production Department				
Salaries	50,427	54,194	64,000	(9,806)
Medical Insurance	11,723	11,743	14,000	(2,257)
Insurance	2,865	3,483	3,000	483
Gas and oil	1,116	1,696	3,000	(1,304)
Repairs	6,033	9,637	10,000	(363)
Supplies	1,882	2,029	2,000	29
Chemicals	76,838	94,174	90,000	4,174
Walnut Wells Utilities	9,719	10,050	9,000	1,050
Miscellaneous	1,240	1,900	2,000	(100)
Total Production Department	161,843	188,906	197,000	(8,094)
Distribution Department				
Salaries	45,878	43,420	50,000	(6,580)
Medical Insurance	33,953	34,312	30,000	4,312
Insurance	2,951	3,054	3,000	54
Gas and Oil	3,669	4,373	5,000	(627)
Truck and Car Maintenance	1,031	292	1,000	(708)
Shop Expense	1,176	944	1,000	(56)
Supplies	4,002	958	2,000	(1,042)
Meters and Supplies	11,163	11,094	12,000	(906)
Water Tower	-	-	1,000	(1,000)
Miscellaneous	1,895	1,721	1,500	221
Total Distribution Department	\$ 105,718	100,168	106,500	(6,332)

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

CITY OF LACROSSE, KANSAS
Revenue Water Utility
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	
Expenditures				
Transfers Out	\$ 20,000	25,000	25,000	-
Total Expenditures	292,851	319,445	335,750	(16,305)
Cash Receipts Over (Under) Expenditures	35,373	2,657		
Unencumbered Cash - Beginning	39,373	74,746		
Unencumbered Cash - Ending	\$ 74,746	77,403		

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

CITY OF LACROSSE, KANSAS
Water Depreciation Reserve
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		
Transfers In	\$ 20,000	25,000
Expenditures		
Capital Outlay	-	5,295
Cash Receipts Over (Under) Expenditures	20,000	19,705
Unencumbered Cash - Beginning	255,138	275,138
Unencumbered Cash - Ending	\$ 275,138	294,843

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

CITY OF LACROSSE, KANSAS
Revenue Electric Utility
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Sales to Customers	\$ 1,318,388	1,321,059	1,155,000	166,059
Service Charges	1,401	1,542	2,000	(458)
Miscellaneous	15,576	11,698	12,000	(302)
Total Cash Receipts	1,335,365	1,334,299	1,169,000	165,299
Expenditures				
Administration				
Salaries	19,306	22,032	32,960	(10,928)
Medical Insurance	97	89	2,000	(1,911)
Office Supplies	3,499	5,005	5,000	5
Sales Tax	28,749	31,291	25,000	6,291
Miscellaneous	4,366	1,829	10,000	(8,171)
Total Administration	56,017	60,246	74,960	(14,714)
Production Department				
Salaries	39,140	40,438	41,200	(762)
Medical Insurance	11,723	11,743	11,000	743
Insurance	24,691	24,691	27,000	(2,309)
Gas and Oil	2,172	1,666	10,000	(8,334)
Repairs	17,647	22,005	15,000	7,005
Supplies	41,652	45,108	35,000	10,108
Purchase of Energy	721,401	735,098	795,000	(59,902)
Chemical	2,796	1,416	3,500	(2,084)
Fixed Energy Charge	-	-	2,500	(2,500)
Miscellaneous	1,452	1,380	2,000	(620)
Total Production Department	862,674	883,545	942,200	(58,655)
Distribution Department				
Salaries	80,296	73,619	77,250	(3,631)
Medical Insurance	17,813	17,840	20,000	(2,160)
Insurance	3,208	3,270	4,000	(730)
Gas and Oil	2,310	3,267	3,500	(233)
Repair and Maintenance	312	537	1,000	(463)
Vehicle Expense	4,711	4,972	15,000	(10,028)
Wire, Poles, Transformers, Meters	52,685	30,341	55,000	(24,659)
Shop	2,032	1,994	2,200	(206)
Miscellaneous	2,442	1,050	4,000	(2,950)
Capital Improvements	-	-	500	(500)
Total Distribution Department	\$ 165,809	136,890	182,450	(45,560)

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

CITY OF LACROSSE, KANSAS
Revenue Electric Utility
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Expenditures				
Transfers Out	\$ 175,000	153,100	153,100	-
Total Expenditures	1,259,500	1,233,781	<u>1,352,710</u>	<u>(118,929)</u>
Cash Receipts Over (Under) Expenditures	75,865	100,518		
Unencumbered Cash - Beginning	213,898	289,763		
Unencumbered Cash - Ending	\$ <u>289,763</u>	<u>390,281</u>		

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

CITY OF LACROSSE, KANSAS
Electric Depreciation Reserve
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 25,000	25,000
Expenditures		
Repairs	-	11,462
Cash Receipts Over (Under) Expenditures	25,000	13,538
Unencumbered Cash - Beginning	706,175	731,175
Unencumbered Cash - Ending	\$ 731,175	744,713

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

CITY OF LACROSSE, KANSAS
Cemetery Trusts
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2011
(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest From Trust Funds	\$.73	56
Expenditures		
Miscellaneous	185	185
Cash Receipts Over (Under) Expenditures	(112)	(129)
Unencumbered Cash - Beginning	37,689	37,577
Unencumbered Cash - Ending	\$ 37,577	37,448

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

CITY OF LACROSSE, KANSAS
Customer Deposits
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		
Utility Deposits	\$ 39,650	13,525
Expenditures		
Utility Deposit Refunds	39,650	13,525
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 LACROSSE, KANSAS
Notes to Financial Statements
December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of LaCrosse, 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 three-member commission. The financial statements of the City consist of all the funds of the City that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The City has no component units.

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 certain reported amount of unencumbered cash balances and encumbrances 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.

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.

Capital Project Fund – 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Fund Category

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.

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.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 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 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.

A legal operating budget is not required for capital project funds, fiduciary funds, permanent funds, and the following special revenue funds: Equipment Reserve, Capital Improvement Reserve, Capital Improvement Reserve – Streets.

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, cash disbursements 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 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.

CITY OF LACROSSE, KANSAS

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 did not use "peak periods" during 2011. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$2,492,712 and the bank balance was \$2,494,392. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$253,328 was covered by federal depository insurance and \$2,241,064 was collateralized with securities held by the 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.

Compensated Absences

Vacation

The City's policy regarding vacation for full-time employees (non-police officers) is as follows:

<u>Years Worked</u>	<u>Amount Earned</u>
0-10	8 hours/month
10 and over	10 hours/month

The City's policy regarding vacation for full-time police officers is as follows:

<u>Years Worked</u>	<u>Amount Earned</u>
0-10	9 hours/month
10 and over	11 hours/month

Vacation is earned beginning with the date of employment but may not be taken until the employee completes six months of service. An employee who works fewer than 12 days in any month shall not accrue vacation credit for such month of service. This restriction of 12 days shall not apply where the employee has worked fewer than 12 days due to authorized vacation or sick leave. The maximum accrual for vacation shall be no more than 120 hours for non-police officer employees and 135 hours for police officers.

Accrued vacation is paid to the employee at the current regular rate in the event of termination. The accrued vacation liability as of December 31, 2011 is \$18,371.

Sick Leave

The City's policy for sick leave permits a full-time employee (non-police officer) to earn sick leave at the rate of 8 hours per calendar month up to a maximum of 720 hours. Full-time police officers shall earn sick leave at a rate of 9 hours per calendar month up to a maximum of 720 hours. Accrued sick leave is not paid to the employee in the event of termination. The potential accrued sick leave liability as of December 31, 2011 is \$84,936.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Compensation Plan

City employees may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or in case of limited specific circumstances. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income that is attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

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 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 South Kansas Avenue, 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 by statute for calendar year 2011 was 7.74%. The City's employer contribution to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$43,212, \$38,453, and \$33,604, 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 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 LaCrosse, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2011 were as follows:

From	To	Statutory Authority	Amount
General Fund	Equipment Reserve Fund	K.S.A. 12-1117	\$ 40,000
General Fund	Capital Improvement Reserve Fund	K.S.A. 12-1118	50,000
General Fund	Capital Imp Reserve - Streets Fund	K.S.A. 12-1118	124,540
Revenue Electric Utility Fund	General Fund	K.S.A. 12-825d	128,100
Sanitation Utility Fund	Sewer Utility Reserve Fund	K.S.A. 12-825d	100,000
Revenue Water Utility Fund	Water Depreciation Reserve Fund	K.S.A. 12-825d	25,000
Revenue Electric Utility Fund	Electric Depreciation Reserve Fund	K.S.A. 12-825d	25,000

NOTE 3 – CAPITAL PROJECTS

The City entered into a new capital project on August 31, 2010 with the Kansas Department of Health and Environment for sewer upgrades. The City is anticipating debt forgiveness on this project of \$1,071,412. Therefore, all debt incurred as of December 31, 2011 is expected to be forgiven. 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
KWPCRLF Project No. C20 1206 01 (Sewer Project)	\$ 2,678,530	\$ 932,142

NOTE 4 – LITIGATION

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

CITY OF LACROSSE, KANSAS

Notes to Financial Statements

December 31, 2011

NOTE 5 – RISK MANAGEMENT

City of LaCrosse, Kansas carries commercial insurance for risks of loss, including property, general liability, inland marine, automobile, umbrella, workmen's compensation, linebacker and surety bond coverage. The City has elected to obtain comprehensive and collision coverage on all City owned motor vehicles. 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 LaCrosse, 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 audits, 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 LaCrosse, Kansas'** cash and unencumbered cash balances. However, complete comparative data (i.e., 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.

NOTE 8 – RELATED PARTY TRANSACTION

The following related party transactions were identified for 2011. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

ASM Woodworks -	
Alan Miller is owner of the company and was the Mayor from January through April in 2011	
Materials and Labor	\$ 2,077

NOTE 9 – LONG-TERM DEBT

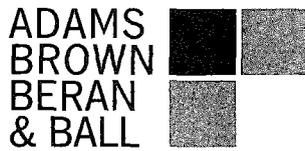
City of LaCrosse, Kansas has no long-term debt as of December 31, 2011. However, during the year the City made principal and interest payments on the following debt.

KDHE Revolving Loan

The City entered into a \$326,318 revolving loan agreement on August 8, 2010 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas under the public water supply revolving loan program. During 2010, the City made total repayments of \$245,811 on the loan. Of this amount, \$240,304 was principal and the rest was interest and service fees. The remaining amount of the loan was forgiven under provision of ARRA funding. Therefore, the City has no debt outstanding at December 31, 2011.

CITY OF LACROSSE

Supplementary Information



Phone (785)222-2431 ■ Fax (785)222-3607 ■ www.abbb.com

Farmers Bank & Trust Building ■ 820 Main

P.O. Box 130 ■ LaCrosse, Kansas 67548

Certified
Public
Accountants

**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 Commission
City of LaCrosse
LaCrosse, Kansas

We have audited the financial statements of **City of LaCrosse, Kansas** as of and for the year ended December 31, 2011, and have issued our report thereon dated July 25, 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 LaCrosse, Kansas** is responsible for establishing and maintaining effective internal control over financial planning. In planning and performing our audit, we considered **City of LaCrosse, 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 LaCrosse, Kansas'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **City of LaCrosse, 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 deficiency described in the accompanying schedule of findings and questioned costs (2011-2) to be a significant deficiency.

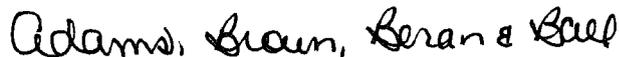
Compliance and Other Matters

As part of obtaining reasonable assurance about whether **City of LaCrosse, 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 LaCrosse, Kansas** in a separate letter dated July 25, 2012.

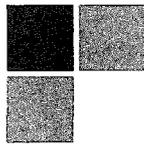
City of LaCrosse, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit **City of LaCrosse, Kansas'** response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Commission, others within the entity, federal awarding agencies and pass-through entities 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 25, 2012



Certified
Public
Accountants

**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 Commission
City of LaCrosse
LaCrosse, Kansas

Compliance

We have audited **City of LaCrosse, 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 LaCrosse, Kansas'** major federal programs for the year ended December 31, 2011. **City of LaCrosse, 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 LaCrosse, Kansas'** management. Our responsibility is to express an opinion on **City of LaCrosse, 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 LaCrosse, 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 LaCrosse, Kansas'** compliance with those requirements.

In our opinion, **City of LaCrosse, 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 LaCrosse, 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 LaCrosse, 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 LaCrosse, Kansas'** internal control over compliance.

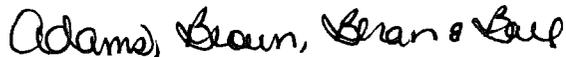
City of LaCrosse

Page 2

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 Commission, others within the entity, federal awarding agencies and pass-through entities 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 25, 2012

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

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting

- Material weakness identified? X Yes No
- Significant deficiency identified? X Yes No
- 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:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

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 LACROSSE
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 ensure 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; however, due to the size of the City, it would not be feasible to hire additional personnel.

B. Significant Deficiency in Internal Control

2011-2

Criteria or specific requirement

City personnel responsible for the accounting and reporting function should have the necessary skills and knowledge to prepare financial statements and related footnotes in conformity with the cash basis and budget laws of the State of Kansas.

Condition

City personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to prepare the City's financial statements.

Effect

Financial transactions, financial statements, and notes may not properly reflect financial information in accordance with the cash basis and budget laws of the State of Kansas.

Cause

Due to the limited size of the City, it is not practical to hire fully qualified staff to the extent that they possess all of the skills required in order to apply statutory basis of accounting including relevant note disclosures.

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 LACROSSE
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 statutory basis of accounting. However, due to the size and financial resources of the City, it would not be feasible to obtain the necessary training.

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 LACROSSE
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2011

No material findings or questioned costs for the year ended December 31, 2010 are required to be disclosed under OMB Circular A-133.

CITY OF LACROSSE
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. Environmental Protection Agency			
Passed Through the Kansas Department of Health and Environment Capitalization Grants for Clean Water State Revolving Funds	66 458	C20 1206 01	\$ <u>893,222</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF LACROSSE
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 LaCrosse, 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*.