

CITY OF ALMA, KANSAS

**FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2012

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Certified Public Accountants

Pottberg, Gassman & Hoffman, Chtd.

INDEPENDENT AUDITORS' REPORT

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To the Mayor and City Council
City of Alma, Kansas 66401

Report on the Financial Statement

We have audited the accompanying summary statement of receipts, expenditures, and unencumbered cash of the City of Alma, Kansas, a Municipality, as of and for the year ended December 31, 2012 and the related notes to the financial statement, which collectively comprise the City's basic financial statement

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error

Auditor Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Kansas Municipal Audit and Accounting Guide Those standards and guidance require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement

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

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

Basis for Adverse Opinion on U S Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America

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The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material

Adverse Opinion on U S Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U S Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures, and unencumbered cash (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards (see Single Audit Section in the table of contents) 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 also not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The 2012 information has been subjected to the auditing procedures applied in the audit of the 2012 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 basic financial statement or to the 2012 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2012 supplementary information is fairly stated in all material respects in relation to the 2012 basic financial statement as a whole, on the basis of accounting described in Note 1

The 2011 Actual column presented in the individual fund schedules (Schedules 2 and 3 as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2011 basic financial statement upon which we rendered an unqualified opinion on February 24, 2012. The 2011 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis, and Standards at the following link <http://www.da.ks.gov/ar/muniserv/>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 basic financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 basic financial statement or to the 2011 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 basic financial statement as a whole, on the basis of accounting described in Note 1

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2013, on our consideration of the City's internal control over financial reporting and 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* in considering the City's internal control over financial reporting and compliance.

Pottberg, Gassman & Hoffman, Chartered.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
July 1, 2013

CITY OF ALMA, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Statement 1

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Fund							
General Fund	\$ 6,040	-	408,037	411,348	2,729	-	2,729
Special Purpose Funds							
Special Highway	-	-	21,502	20,450	1,052	-	1,052
Recreation	-	-	11,751	11,751	-	-	-
Special Parks and Recreation	1,547	-	1,743	1,901	1,389	-	1,389
Employee Benefits	170	-	185,641	185,765	46	-	46
Sales Tax Project	77,389	-	81,093	156,422	2,060	-	2,060
Capital Improvements	9,698	-	9,206	3,666	15,238	-	15,238
Equipment Reserve	158,374	-	52,000	31,031	179,343	-	179,343
KLINK	70,720	-	20,450	20,835	70,335	-	70,335
Perpetual Care	24,123	-	66	-	24,189	-	24,189
Water Reserve	173,610	-	26,820	27,629	172,801	-	172,801
Sewer Reserve	173,566	-	66,259	-	239,825	-	239,825
Gas Reserve	67,600	-	36,000	28,139	75,461	-	75,461
Electric Reserve	175,000	-	36,000	35,532	175,468	-	175,468
Bond and Interest Funds							
Water Bond and Interest	28,093	-	25,380	53,473	-	-	-
Sewer Bond and Interest	13,442	-	131,570	145,012	-	-	-
2012 Water Bond	-	-	105,723	19,397	86,326	-	86,326
2002 Bond Fund	23,304	-	195,732	207,491	11,545	-	11,545
Kansas Partnership Fund	5,080	-	20,064	20,056	5,088	-	5,088
Water Plant (2006 Bond)	52,921	-	59,528	112,449	-	-	-
Sewer Renovation Loan	322,775	-	164,935	174,643	313,067	-	313,067
Capital Projects Funds							
Sewer Renovation Project	174,855	-	-	174,855	-	-	-
Collection System Project	36,602	-	1,445,229	119,570	1,362,261	-	1,362,261
Streetscape Project	-	-	772,619	772,619	-	-	-

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

CITY OF ALMA, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Statement 1

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Business Funds							
Electric Utility	113,377	-	1,437,183	1,549,430	1,130	-	1,130
Gas Utility	2,102	-	466,419	467,864	657	-	657
Water Utility	7,460	-	324,446	313,477	18,429	-	18,429
Sewer Utility	28,434	-	310,376	262,921	75,889	-	75,889
Total Reporting Entity (excluding agency funds)	<u>\$ 1,746,282</u>	<u>-</u>	<u>6,415,772</u>	<u>5,327,726</u>	<u>2,834,328</u>	<u>-</u>	<u>\$ 2,834,328</u>
Composition of Cash							
				Checking / Savings Accounts			\$ 2,823,578
				Certificates of Deposit			11,000
				Total Cash			<u>2,834,578</u>
				Agency Funds per Schedule 3			(250)
				Total Reporting Entity (Excluding Agency Funds)			<u>\$ 2,834,328</u>

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

CITY OF ALMA, KANSAS
Notes to Financial Statement
For the Year Ended December 31, 2012

1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A Municipal Financial Reporting Entity

The City of Alma, Kansas is a municipal corporation governed by an elected five member council and mayor. The City provides the following services as authorized by its charter: public works, public safety, recreation and waterworks. The regulatory financial statement presents the City of Alma, Kansas (the Municipality) and does not include any Related Municipal Entities.

The accounting and reporting policies of the City relating to the financial statement and the funds included in the accompanying supplemental information conform to the cash basis and budget laws of the State of Kansas. The more significant accounting policies of the City are described below.

B Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions, or limitations. Certain funds contain restricted cash because their use is limited by debt covenants, regulatory requirements, grant requirements or are held in a fiduciary or agency capacity.

The following types of funds comprise the financial activities of the City for the year 2012:

General Fund – The General Fund is the main operating fund of the City. This Fund is used to account for all financial resources not accounted for in other funds, and is therefore unrestricted.

Special Purpose Funds – The Special Purpose Funds are used to account for the proceeds of specific tax levies and other specific revenue resources (other than Capital Project and tax levies for long-term debt) that are restricted by law to expend for specified purposes.

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

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

Business Funds – The Business Funds are financed in whole or in part by fees charged to users for goods or services.

Agency Funds – Agency Funds are used to report assets held by the City in a purely custodial capacity (payroll clearing fund, tax collection accounts, etc.).

C Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG (Kansas Municipal Audit and Accounting Guide) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the

CITY OF ALMA, KANSAS
Notes to Financial Statement
For the Year Ended December 31, 2012

1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C Regulatory Basis of Accounting (continued)

difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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

D Budgetary Information

The City Charter establishes the fiscal year as the twelve-month period beginning January 1. The Mayor and City Council prepare a budget of estimated expenditures and receipts for the ensuing fiscal year in accordance with State of Kansas Statutes. These statutes require that an annual operating budget be adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

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

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

A legal operating budget is not required for agency funds, capital projects funds, and the following special purpose funds: Capital Improvements, Equipment Reserve, KLINK, Perpetual Care, Water Reserve, Sewer Reserve, Gas Reserve, and Electric Reserve. Budgetary information is presented in the supplemental schedules.

CITY OF ALMA, KANSAS
Notes to Financial Statement
For the Year Ended December 31, 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E Budgetary Information, continued

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

F Date of Management's Review

Subsequent events have been evaluated by management through July 1, 2013, the date which the financial statements were available to be issued

2 DEPOSITS AND INVESTMENTS

K S A 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main 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. The City had no investments in 2012.

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

Custodial credit risk – deposits Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has no designated "peak periods". The types of securities pledged complied with legal requirements at December 31, 2012.

At December 31, 2012, the City's carrying amount of deposits was \$2,834,578 and the bank balance was \$2,911,385. Of the bank balance, \$500,000 was covered by federal depository insurance and \$2,411,385 was collateralized with securities held by the pledging financial institutions' agents in the City's name. The balances at both of the banks utilized by the City were in excess of Federal Depository Insurance Corporation (FDIC) limits. The balance at each bank in excess of FDIC limits was more than 5% of total bank balances which resulted in a concentration of credit risk per GASBS 40, paragraph 5.

3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

References made herein to the statutes are not intended as interpretation of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the City Attorney.

CITY OF ALMA, KANSAS
Notes to Financial Statement
For the Year Ended December 31, 2012

3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budget Law Compliance

K S A 79-2935 provides that it shall be unlawful for the governing body to create indebtedness in any fund in excess of the adopted budget of expenditures of such fund For the year ended December 31, 2012, the following funds were in violation of this statute

<u>Fund Name</u>	<u>Excess</u>
Recreation	\$ 27
2012 Water Bond Fund	19,397

Note The fund balances of the Water Bond and Interest Fund and Water Plant (2006 Bond) Fund were combined to form the 2012 Water Bond Fund by authorization of the City Council on September 18, 2012

4 DEFINED BENEFIT PENSION PLAN

Plan description The City participates in the Kansas Public Employees Retirement System (KPERs) a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits Kansas law establishes and amends benefit provisions KPERs issues a publicly available financial report that includes financial statements and required supplementary information Those reports may be obtained by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737

Funding Policy K S A 74-419 and K S A 74-49,210 establish the KPERs member-employee contribution rates Effective July 1, 2009 KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member Tier 1 members are active and contributing members hired before July 1, 2009 Tier 2 members were first employed in a covered position on or after July 1, 2009 Kansas law establishes the KPERs member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation KPERs is funded on an actuarial reserve basis Kansas law sets a limitation on annual increases in the employer contribution rates The employer rate established by statute for January 1, 2012 to December 31, 2012 was 8.34%

5 DEFERRED COMPENSATION PLAN

The City of Alma, Kansas offers its employees a deferred compensation plan created in accordance with Internal Revenue Code section 457(b) The plan is administered by ING Life Insurance and Annuity Company The plan is available to all employees and permits them to defer a portion of their salary until future years The City of Alma does not contribute to the plan

6 CAPITAL PROJECTS

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

	<u>Project Authorization</u>	<u>Cash Disbursements and Accounts Payable to Date</u>
Collection System Project	1,680,000	180,278
Streetscape Project	889,731	878,767

CITY OF ALMA, KANSAS
Notes to Financial Statement
For the Year Ended December 31, 2012

7 SEWER RENOVATION PROJECT

The City of Alma began a sewer renovation project in 2007. The project was completed in 2011 and the remaining funds were transferred to the Sewer Bond and Interest Fund, to pay off the outstanding Kansas Water Pollution Control Sewer Project Loan, and the Sewer Reserve Fund as reflected on page 28 of the supplemental schedules.

8 COLLECTION SYSTEM PROJECT

The City of Alma began a collection system project in 2010. The project is expected to be completed in 2013. Funding for the project was provided by temporary financing from Wamego National Bank in the amount of \$100,000 which was paid off in October 2011 with advanced funds from USDA Rural Development. In 2012, temporary financing from First National Bank in the amount of \$1,443,000 was received for this project. Long-term financing was approved by USDA Rural Development provided by a grant of \$355,000 and a loan of \$1,443,000. The total amount of funds drawn and used in 2012 is reflected on page 28 of the supplemental schedules.

9 STREETSCAPE PROJECT

The City of Alma began a streetscape project in 2010 which was completed in 2012. Funding for the project was provided by sales taxes collected and 80% of the project was provided through the Kansas Department of Transportation's Transportation Enhancement Program. The total amount of funds drawn and used in 2012 is reflected on page 28 of the supplemental schedules.

10 COMPENSATED ABSENCES

The City's policy allows employees to accumulate vacation and sick leave as follows:

Vacation Time

One week of vacation is earned after one year of employment, two weeks of vacation are earned after two years of employment, three weeks of vacation are earned after ten years of employment, four weeks of vacation are earned after twenty years of employment, five weeks of vacation are earned after thirty years of employment and six weeks of vacation are earned after forty years of employment. Two weeks of vacation may be carried over into the next year.

Sick Leave

Sick leave is accrued at a rate of one day per month for all employees, up to a maximum of 1,040 hours. Sick leave accumulated is not paid to employees upon termination of employment.

The dollar amount of accrued vacation at December 31, 2012 was \$8,293.

11 RISK MANAGEMENT

The City of Alma, Kansas is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. To insure against risk of these types of losses, the City has purchased commercial insurance coverage. Settled claims resulting from these risks have not exceeded commercial coverage in the past three years.

CITY OF ALMA, KANSAS
Notes to Financial Statement
For the Year Ended December 31, 2012

12 INTERFUND TRANSACTIONS

Operating transfers were as follows

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Equipment Reserve	12-1,117	\$52,000
General	Capital Outlay	12-1,118	5,060
Water Utility	Water Bond and Interest	12-825d	25,380
Water Utility	Water Reserve	12-825d	26,820
Water Utility	Water Plant (2006 Bond)	12-825d	59,528
Water Utility	2012 Water Bond	12,825d	26,490
Electric Utility	General	12-825d	80,000
Electric Utility	General – Park Valley	12-825d	3,653
Electric Utility	Electric Reserve	12-825d	36,000
Electric Utility	Kansas Partnership Loan	12-825d	20,064
Electric Utility	2002 Bond Fund	12-825d	53,665
Gas Utility	Gas Reserve	12-825d	36,000
Sewer Utility	Sewer Reserve	12-825d	16,022
Sewer Utility	Sewer Bond and Interest	12-826d	1,622
Sewer Utility	Sewer Renovation Loan	12-825d	164,935
Special Highway	KLINK	12-825d	20,450
Gas Reserve	Gas Utility	12-825d	28,139
Water Reserve	Water Utility	12-825d	27,629
Sewer Reserve	Sewer Renovation	12-825d	44,907
Sales Tax Project	Streetscape Project	12-825d	154,852
Sewer Bond and Interest	Sewer Reserve	12-825d	5,329
Sewer Renovation Project	Sewer Bond and Interest	12,825d	129,948
Electric Reserve	Electric Utility	12,825d	4,000
Electric Reserve	Streetscape Project	12,825d	31,532
Water Bond	2012 Water Bond	12,825d	19,643
Water Plant Bond	2012 Water Bond	12,825d	38,898

13 OTHER POST EMPLOYMENT BENEFITS

As provided by K S A 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes healthcare 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.

14 LITIGATION

There were no legal actions involving the City of Alma, as of December 31, 2012.

CITY OF ALMA, KANSAS
Notes to Financial Statement
For the Year Ended December 31, 2012

15 LONG TERM DEBT

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

In October 2012, the City issued \$1,575,000 of Series 2012 General Obligation Refunding and Improvement bonds to payoff the KDHE Water Supply Bond Loan and the USDA Rural Development Water Plant Loan

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>2012 Interest Paid</u>
General Obligation Bonds										
USDA Rural Development Loan (2006 General Obligation Bonds)	4 375%	04/20/07	\$ 1,364,700	06/06/46	\$ 1,305,574	\$ -	\$ 1,305,574	\$ (1,305,574)	\$ -	\$ 79,988
USDA Rural Development Loan (2011 General Obligation Bonds)	3 375%	04/15/11	2,869,000	04/26/51	2,869,000	-	34,660	(34,660)	2,834,340	96,829
2011 GO Bonds - Series 2011B	6 - 3 00%	12/20/11	1,020,000	08/01/17	1,020,000	-	170,000	(170,000)	850,000	9,097
2012 General Obligation Bonds	6 - 4 25%	10/12/12	1,575,000	08/01/41	-	1,575,000	-	1,575,000	1,575,000	-
Revolving Loans										
KDHE - Kansas Pubic Water Supply Kansas Water Pollution Control Sewer Project	4 15%	07/07/98	580,000	02/01/20	240,238	-	240,238	(240,238)	-	9,722
	3 11%	09/01/98	400,000	09/01/19	136,961	-	136,961	(136,961)	-	2,722
Other										
Kansas Department of Commerce Total Contractual Indebtedness	3 50%	02/23/04	168,000	02/23/14	46,708	-	18,583	(18,583)	28,125	1,473
					5,618,481	1,575,000	1,906,016	(331,016)	5,287,465	199,831
Compensated Absences										
					7,242	1,050	-	1,050	8,292	-
Total Long Term Debt										
					<u>\$ 5,625,723</u>	<u>\$ 1,576,050</u>	<u>\$ 1,906,016</u>	<u>\$ (329,966)</u>	<u>\$ 5,295,757</u>	<u>\$ 199,831</u>

CITY OF ALMA KANSAS
Notes to Financial Statement
For the Year Ended December 31, 2012

16 LONG TERM DEBT (CONTINUED)

Current maturities of long-term debt and interest through maturity are as follows

	Year												
	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	2043-2047	2048-2051	Total
Principal													
General Obligation Bonds													
USDA Rural Development Loan (2011 General Obligations Bonds)	36,095	37,314	38,573	39,623	41,212	227,635	268,741	317,096	374,590	442,242	522,116	489,103	2,834,340
2011 GO Bonds - Series 2011B	160,000	170,000	170,000	175,000	175,000	-	-	-	-	-	-	-	850,000
2012 General Obligation Bonds	70,000	65,000	65,000	65,000	65,000	260,000	205,000	240,000	285,000	255,000	-	-	1,575,000
Other													
Kansas Department of Commerce	19,239	8,886	-	-	-	-	-	-	-	-	-	-	28,125
Total Principal	<u>285,334</u>	<u>281,200</u>	<u>273,573</u>	<u>279,623</u>	<u>281,212</u>	<u>487,635</u>	<u>473,741</u>	<u>557,096</u>	<u>659,590</u>	<u>697,242</u>	<u>522,116</u>	<u>489,103</u>	<u>5,287,465</u>
Interest													
General Obligation Bonds													
USDA Rural Development Loan (2011 General Obligations Bonds)	95,659	94,441	93,181	91,880	90,542	430,901	389,813	341,301	284,033	216,411	136,572	42,166	2,306,900
2011 GO Bonds - Series 2011B	17,175	15,575	13,025	9,625	5,250	-	-	-	-	-	-	-	60,650
2012 General Obligation Bonds	35,951	44,852	44,328	43,647	42,838	199,182	175,563	138,500	89,472	26,497	-	-	840,830
-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other													
Kansas Department of Commerce	818	156	-	-	-	-	-	-	-	-	-	-	974
Total Interest	<u>149,603</u>	<u>155,024</u>	<u>150,534</u>	<u>145,152</u>	<u>138,630</u>	<u>630,083</u>	<u>565,376</u>	<u>479,801</u>	<u>373,505</u>	<u>242,908</u>	<u>136,572</u>	<u>42,166</u>	<u>3,209,354</u>
Total Principal and Interest Payments	<u>\$ 434,937</u>	<u>436,224</u>	<u>424,107</u>	<u>424,775</u>	<u>419,842</u>	<u>1,117,718</u>	<u>1,039,117</u>	<u>1,036,897</u>	<u>1,033,095</u>	<u>940,150</u>	<u>658,688</u>	<u>531,269</u>	<u>8,496,819</u>

CITY OF ALMA, KANSAS
Notes to Financial Statement
For the Year Ended December 31, 2012

16 **RELATED PARTIES**

In the ordinary course of business, the city has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the City.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF ALMA, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Over (Under)</u>
Governmental Type Fund					
General Fund	\$ 413,165	-	413,165	411,348	(1,817)
Special Purpose Funds					
Special Highway	20,450	-	20,450	20,450	-
Recreation	11,724	-	11,724	11,751	27
Special Parks and Recreation	1,906	-	1,906	1,901	(5)
Employee Benefits	200,000	-	200,000	185,765	(14,235)
Sales Tax Project	162,390	-	162,390	156,422	(5,968)
Bond and Interest Funds					
Water Bond and Interest	33,830	-	33,830	53,473	19,643
Sewer Bond and Interest	145,012	-	145,012	145,012	-
2012 Water Bond	-	-	-	19,397	19,397
2002 Bond Fund	210,969	-	210,969	207,491	(3,478)
Kansas Partnership Fund	20,057	-	20,057	20,056	(1)
Water Plant (2006 Bond)	73,552	-	73,552	112,449	38,897
Sewer Renovation Loan	178,565	-	178,565	174,643	(3,922)
Business Funds					
Electric Utility	1,550,065	-	1,550,065	1,549,430	(635)
Gas Utility	1,247,000	-	1,247,000	467,864	(779,136)
Water Utility	467,784	-	467,784	313,477	(154,307)
Sewer Utility	482,566	-	482,566	262,921	(219,645)

CITY OF ALMA, KANSAS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	2011	2012		Variance -
	Actual	Actual	Budget	Over (Under)
GENERAL FUND				
Cash Receipts				
Taxes				
Ad Valorem Property Tax	\$ 152,615	153,707	154,590	(883)
Delinquent Tax	3,898	4,610	-	4,610
Motor Vehicle Tax	18,468	19,680	20,584	(904)
Recreational Vehicle Tax	307	296	333	(37)
16/20M Vehicle Tax	296	313	548	(235)
Countywide Sales Tax	34,526	39,388	38,600	788
Intergovernmental Revenue				
Local Alcohol and Liquor Tax	1,984	1,742	1,906	(164)
Highway Connecting Links	5,094	5,098	5,000	98
Licenses and Fees				
Licenses and Permits	1,922	1,933	4,000	(2,067)
Utility Franchise Fees	786	834	500	334
Swimming Pool Receipts	12,542	13,407	12,000	1,407
Sales Tax Collected	1	-	-	-
Refuse Collection	58,326	56,114	55,600	514
Fines and Fees	1,609	771	1,000	(229)
Park Valley Lot Receipts				
Bond Tax Receipts	19,192	-	-	-
Sales of Lots	-	72	-	72
Transfer from Electric Utility	34,755	3,653	-	3,653
Use of Money and Property				
Interest	9,650	4,036	15,000	(10,964)
Miscellaneous				
Reimbursed Expenses	7,875	15,873	10,000	5,873
General Fish and Game Reimbursement	2,060	2,060	2,800	(740)
General Recreation Reimbursement	3,000	3,000	3,000	-
Other-Miscellaneous	-	-	2,500	(2,500)
Community Center	1,435	1,450	2,000	(550)
Neighborhood Revitalization	3,261	-	1,870	(1,870)
Transfer from Electric Utility Fund	80,000	80,000	80,000	-
Total Cash Receipts	453,602	408,037	411,831	3,794
Expenditures				
General and Administrative				
Personal Services	32,537	17,839	42,000	(24,161)
Commodities	8,579	8,562	10,545	(1,983)
Contractual	20,719	15,645	20,950	(5,305)
Capital Outlay	4,070	2,303	8,000	(5,697)
Refuse Collection	55,289	55,708	54,000	1,708
Highway Department				
Personal Services	6,437	14,764	13,000	1,764
Commodities	80,802	79,243	64,000	15,243
Contractual	1,374	275	5,000	(4,725)
Employee Benefits	5,555	9,278	9,000	278
Transfer to Equipment Reserve	7,000	10,000	10,000	-
Total	\$ 222,362	213,617	236,495	(22,878)

CITY OF ALMA, KANSAS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	2011	2012		Variance - Over (Under)
<u>GENERAL FUND</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Expenditures - (from page 16)	\$ 222,362	213,617	236,495	(22,878)
Street Lighting				
Contractual	13,316	12,929	10,000	2,929
Swimming Pool				
Personal Services	41,039	34,744	34,000	744
Commodities	10,923	8,765	13,000	(4,235)
Contractual	1,035	4,249	4,500	(251)
Parks and Cemetery				
Personal Services	1,200	1,361	1,200	161
Marshall				
Personal Services	53,222	52,273	50,000	2,273
Commodities	8,793	6,097	7,000	(903)
Contractual	3,002	3,583	4,000	(417)
Employee Benefits Reimbursement	18,516	9,282	17,500	(8,218)
Transfer to Equipment Reserve	7,000	7,000	7,000	-
July 4th Celebration Fund	1,000	1,000	1,000	-
Neighborhood Revitalization	1,870	1,803	1,870	(67)
Park Valley Lots Expense	53,947	3,842	-	3,842
Community Building	9,176	9,738	10,000	(262)
Transfer to Capital Improvements Fund	-	3,000	3,000	-
Transfer to Equipment Reserve	-	35,000	5,000	30,000
Economic Development	1,000	1,000	1,000	-
Fish and Game	1,640	2,060	2,800	(740)
Miscellaneous	-	5	3,800	(3,795)
Total Expenditures	449,041	411,348	413,165	(1,817)
Receipts Over (Under) Expenditures	4,561	(3,311)		
Unencumbered Cash, January 1	1,479	6,040		
Unencumbered Cash, December 31	\$ 6,040	2,729		

CITY OF ALMA, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	<u>2011</u>	<u>2012</u>		Variance - Over (Under)
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<u>SPECIAL FIRE</u>				
Cash Receipts				
Ad Valorem Tax	\$ 2	-	-	-
Expenditures				
Capital Outlay	2	-	-	-
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, January 1	-	-		
Unencumbered Cash, December 31	<u>\$ -</u>	<u>-</u>		
<u>SPECIAL HIGHWAY</u>				
Cash Receipts				
State Gasoline Tax	\$ 20,579	21,502	20,450	1,052
Expenditures				
Transfer to KLINK	20,579	20,450	20,450	-
Receipts Over (Under) Expenditures	-	1,052		
Unencumbered Cash, January 1	-	-		
Unencumbered Cash, December 31	<u>\$ -</u>	<u>1,052</u>		

CITY OF ALMA, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	2011	2012		Variance -
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Over</u> <u>(Under)</u>
<u>RECREATION</u>				
Cash Receipts				
Ad Valorem Tax	\$ 9,573	10,191	10,254	(63)
Delinquent Taxes	246	290	-	290
Motor Vehicle Taxes	1,147	1,231	1,291	(60)
Recreational Vehicle Tax	19	19	21	(2)
16/20 M Vehicle Tax	18	20	34	(14)
Neighborhood Revitalization	204	-	124	(124)
Total Cash Receipts	<u>11,207</u>	<u>11,751</u>	<u>11,724</u>	<u>27</u>
Expenditures				
Neighborhood Revitalization	120	120	124	(4)
Appropriation to Rec Commission	11,087	11,631	11,600	31
Total Expenditures	<u>11,207</u>	<u>11,751</u>	<u>11,724</u>	<u>27</u>
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, January 1	-	-		
Unencumbered Cash, December 31	<u>\$ -</u>	<u>-</u>		
<u>SPECIAL PARKS AND RECREATION</u>				
Cash Receipts				
Liquor Tax	\$ 1,984	1,743	1,906	(163)
Reimbursement	222	-	-	-
Total Cash Receipts	<u>2,206</u>	<u>1,743</u>	<u>1,906</u>	<u>(163)</u>
Expenditures				
Capital Outlay	3,000	1,901	1,906	(5)
Receipts Over (Under) Expenditures	(794)	(158)		
Unencumbered Cash, January 1	2,341	1,547		
Unencumbered Cash, December 31	<u>\$ 1,547</u>	<u>1,389</u>		

CITY OF ALMA, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	<u>2011</u>	<u>2012</u>		Variance - Over (Under)
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<u>EMPLOYEE BENEFITS</u>				
Cash Receipts				
Ad Valorem Tax	\$ 2	-	-	-
Reimbursements	169,535	185,641	200,000	(14,359)
Total Cash Receipts	<u>169,537</u>	<u>185,641</u>	<u>200,000</u>	<u>14,359</u>
Expenditures				
Social Security Remittances	31,076	30,716	31,000	(284)
KPERs Remittances	25,229	28,088	21,000	7,088
Unemployment Remittances	336	445	1,500	(1,055)
Insurance and Deferred Compensation	112,915	126,516	146,500	(19,984)
Total Expenditures	<u>169,556</u>	<u>185,765</u>	<u>200,000</u>	<u>(14,235)</u>
Receipts Over (Under) Expenditures	(19)	(124)		
Unencumbered Cash, January 1	<u>189</u>	<u>170</u>		
Unencumbered Cash, December 31	<u>\$ 170</u>	<u> 46</u>		
<u>SALES TAX PROJECT</u>				
Cash Receipts				
Sales Tax Collections	\$ 84,030	81,093	85,000	(3,907)
Expenditures				
Commodities	-	1,570	20,439	(18,869)
Transfer to Streetscape Project	61,236	154,852	141,951	12,901
Total Expenditures	<u>61,236</u>	<u>156,422</u>	<u>162,390</u>	<u>(5,968)</u>
Receipts Over (Under) Expenditures	22,794	(75,329)		
Unencumbered Cash, January 1	<u>54,595</u>	<u>77,389</u>		
Unencumbered Cash, December 31	<u>\$ 77,389</u>	<u> 2,060</u>		

CITY OF ALMA, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	2011	2012
	<u>Actual</u>	<u>Actual</u>
<u>CAPITAL IMPROVEMENTS*</u>		
Cash Receipts		
Transfer from General	\$ -	5,060
Reimbursements	4,408	4,146
Total Cash Receipts	<u>4,408</u>	<u>9,206</u>
 Expenditures		
Repairs and Other	<u>21,335</u>	<u>3,666</u>
 Receipts Over (Under) Expenditures	(16,927)	5,540
 Unencumbered Cash, January 1	<u>26,625</u>	<u>9,698</u>
 Unencumbered Cash, December 31	<u>\$ 9,698</u>	<u>15,238</u>
 <u>EQUIPMENT RESERVE*</u>		
Cash Receipts		
Transfer from General		
General - Street	\$ 7,000	10,000
General - Marshall	7,000	7,000
General - General	-	35,000
Total Cash Receipts	<u>14,000</u>	<u>52,000</u>
 Expenditures		
Equipment Purchases	11,693	31,031
Miscellaneous Expense	653	-
Total Expenditures	<u>12,346</u>	<u>31,031</u>
 Receipts Over (Under) Expenditures	1,654	20,969
 Unencumbered Cash, January 1	<u>156,720</u>	<u>158,374</u>
 Unencumbered Cash, December 31	<u>\$ 158,374</u>	<u>179,343</u>

*Not Budgeted

CITY OF ALMA, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	2011	2012
<u>KLINK*</u>		
Cash Receipts		
Transfer from Special Highway	\$ 20,579	20,450
Total Cash Receipts	<u>20,579</u>	<u>20,450</u>
Expenditures	<u>-</u>	<u>20,835</u>
Receipts Over (Under) Expenditures	20,579	385
Unencumbered Cash, January 1	<u>50,141</u>	<u>70,720</u>
Unencumbered Cash, December 31	<u>\$ 70,720</u>	<u>70,335</u>
<u>PERPETUAL CARE*</u>		
Cash Receipts		
Sale of Lots and Interest	\$ 377	66
Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	377	66
Unencumbered Cash, January 1	<u>23,746</u>	<u>24,123</u>
Unencumbered Cash, December 31	<u>\$ 24,123</u>	<u>24,189</u>

*Not Budgeted

CITY OF ALMA, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	2011 <u>Actual</u>	2012 <u>Actual</u>
<u>WATER RESERVE*</u>		
Cash Receipts		
Transfer from Water Utility	\$ 32,460	26,820
Expenditures		
Transfer to Water Utility	<u>33,980</u>	<u>27,629</u>
Receipts Over (Under) Expenditures	(1,520)	(809)
Unencumbered Cash, January 1	<u>175,130</u>	<u>173,610</u>
Unencumbered Cash, December 31	<u><u>\$ 173,610</u></u>	<u><u>172,801</u></u>
<u>SEWER RESERVE*</u>		
Cash Receipts		
Transfer from Sewer Renovation Project	92,846	44,907
Transfer from Sewer Utility	33,876	16,023
Transfer from Sewer Bond	-	5,329
Total Cash Receipts	<u>126,722</u>	<u>66,259</u>
Expenditures		
Transfer to Sewer Renovation Project	<u>86,984</u>	<u>-</u>
Receipts Over (Under) Expenditures	39,738	66,259
Unencumbered Cash, January 1	<u>133,828</u>	<u>173,566</u>
Unencumbered Cash, December 31	<u><u>\$ 173,566</u></u>	<u><u>239,825</u></u>

* Not Budgeted

CITY OF ALMA, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	2011 <u>Actual</u>	2012 <u>Actual</u>
<u>GAS RESERVE*</u>		
Cash Receipts		
Transfer from Gas Utility	\$ 36,000	36,000
Expenditures		
Transfer to Gas Utility	<u>28,400</u>	<u>28,139</u>
Receipts Over (Under) Expenditures	7,600	7,861
Unencumbered Cash, January 1	<u>60,000</u>	<u>67,600</u>
Unencumbered Cash, December 31	<u>\$ 67,600</u>	<u>75,461</u>
<u>ELECTRIC RESERVE*</u>		
Cash Receipts		
Transfer from Electric Utility	\$ 36,000	36,000
Expenditures		
Transfer to Electric Utility	-	4,000
Transfer to Streetscape	-	<u>31,532</u>
Total Expenditures	<u>-</u>	<u>35,532</u>
Receipts Over (Under) Expenditures	36,000	468
Unencumbered Cash, January 1	<u>139,000</u>	<u>175,000</u>
Unencumbered Cash, December 31	<u>\$ 175,000</u>	<u>175,468</u>

* Not Budgeted

CITY OF ALMA, KANSAS
BOND AND INTEREST FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	2011	2012		Variance - Over (Under)
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<u>WATER BOND AND INTEREST</u>				
Cash Receipts				
Transfer from Water Utility	\$ 33,840	25,380	33,840	(8,460)
Expenditures				
Principal Payments	23,137	24,108	24,108	-
Interest Payments	10,693	9,722	9,722	-
Transfer to 2012 Water Bond	-	19,643	-	19,643
Total Expenditures	<u>33,830</u>	<u>53,473</u>	<u>33,830</u>	<u>19,643</u>
Receipts Over (Under) Expenditures	10	(28,093)		
Unencumbered Cash, January 1	<u>28,083</u>	<u>28,093</u>		
Unencumbered Cash, December 31	<u>\$ 28,093</u>	<u>-</u>		
<u>SEWER BOND AND INTEREST</u>				
Cash Receipts				
Transfer from Sewer Utility	\$ 19,476	1,622	131,571	(129,949)
Transfer from Sewer Renovation Project	-	129,948	-	129,948
Total Cash Receipts	<u>19,476</u>	<u>131,570</u>	<u>131,571</u>	<u>1</u>
Expenditures				
Principal Payments	14,863	136,962	135,542	1,420
Interest Payments	4,607	2,721	4,141	(1,420)
Transfer to Sewer Reserve	-	5,329	5,329	-
Total Expenditures	<u>19,470</u>	<u>145,012</u>	<u>145,012</u>	<u>-</u>
Receipts Over (Under) Expenditures	6	(13,442)		
Unencumbered Cash, January 1	<u>13,436</u>	<u>13,442</u>		
Unencumbered Cash, December 31	<u>\$ 13,442</u>	<u>-</u>		
<u>2012 WATER BOND</u>				
Cash Receipts				
Transfer from Water Utility	\$ -	26,490	-	26,490
Transfer from Water Bond	-	19,643	-	19,643
Transfer from Water Plant Bond	-	38,897	-	38,897
From State Treasurer	-	20,693	-	20,693
Total Cash Receipts	<u>-</u>	<u>105,723</u>	<u>-</u>	<u>105,723</u>
Expenditures				
Refinance Expense	-	19,397	-	19,397
Total Expenditures	<u>-</u>	<u>19,397</u>	<u>-</u>	<u>19,397</u>
Receipts Over (Under) Expenditures	-	86,326		
Unencumbered Cash, January 1	<u>-</u>	<u>-</u>		
Unencumbered Cash, December 31	<u>\$ -</u>	<u>86,326</u>		

CITY OF ALMA, KANSAS
BOND AND INTEREST FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	<u>2011</u>	<u>2012</u>	<u>Variance -</u> <u>Over</u> <u>(Under)</u>
<u>2002 BOND FUND</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
Cash Receipts			
Ad Valorem Tax	\$ 32,234	35,236	35,438
Delinquent Tax	827	972	-
Motor Vehicle Tax	3,855	4,145	4,348
Recreational Vehicle Tax	64	62	70
16/20 M Vehicle Tax	61	66	116
Paid Assessments	68,242	101,586	75,000
Interest Income	118	-	500
Transfer from Electric Utility	40,000	53,665	40,000
Neighborhood Revitalization	688	-	429
Miscellaneous Reimbursement	33,539	-	-
Total Cash Receipts	<u>179,628</u>	<u>195,732</u>	<u>155,901</u>
Expenditures			
Reserve	34,887	1,179	4,200
Neighborhood Revitalization	429	413	429
Tax Assessment Paid	18,857	26,802	20,000
Principal Payments	140,000	170,000	145,000
Interest Payments	46,730	9,097	41,340
Total Expenditures	<u>240,903</u>	<u>207,491</u>	<u>210,969</u>
Receipts Over (Under) Expenditures	(61,275)	(11,759)	
Unencumbered Cash, January 1	<u>84,579</u>	<u>23,304</u>	
Unencumbered Cash, December 31	<u>\$ 23,304</u>	<u>11,545</u>	
<u>KANSAS PARTNERSHIP FUND</u>			
Cash Receipts			
Transfer from Electric Utility	\$ 20,064	20,064	20,065
Expenditures			
Principal Payments	17,949	18,583	18,583
Interest Payments	2,107	1,473	1,474
Total Expenditures	<u>20,056</u>	<u>20,056</u>	<u>20,057</u>
Receipts Over (Under) Expenditures	8	8	
Unencumbered Cash, January 1	<u>5,072</u>	<u>5,080</u>	
Unencumbered Cash, December 31	<u>\$ 5,080</u>	<u>5,088</u>	

CITY OF ALMA, KANSAS
BOND AND INTEREST FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	<u>2011</u>	<u>2012</u>		Variance - Over (Under)
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
<u>WATER PLANT (2006 BOND)</u>				
Cash Receipts				
Transfer from Water Utility	\$ 79,371	59,528	73,560	(14,032)
Expenditures				
Principal Payments	15,744	16,433	16,433	-
Interest Payments	57,808	57,119	57,119	-
Transfer to 2012 Water Bond	-	38,897	-	38,897
Total Expenditures	<u>73,552</u>	<u>112,449</u>	<u>73,552</u>	<u>38,897</u>
Receipts Over (Under) Expenditures	5,819	(52,921)		
Unencumbered Cash, January 1	<u>47,102</u>	<u>52,921</u>		
Unencumbered Cash, December 31	<u>\$ 52,921</u>	<u>-</u>		
<u>SEWER RENOVATION LOAN</u>				
Cash Receipts				
Transfer from Sewer Utility	\$ 178,575	164,935	178,566	(13,631)
Expenditures				
Principal Payments	30,991	34,660	34,660	-
Interest Payments	28,867	96,829	96,829	-
20 Year Debt Payment	-	43,154	47,076	(3,922)
Total Expenditures	<u>59,858</u>	<u>174,643</u>	<u>178,565</u>	<u>(3,922)</u>
Receipts Over (Under) Expenditures	118,717	(9,708)		
Unencumbered Cash, January 1	<u>204,058</u>	<u>322,775</u>		
Unencumbered Cash, December 31	<u>\$ 322,775</u>	<u>313,067</u>		

CITY OF ALMA, KANSAS
CAPITAL PROJECT FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	2011 <u>Actual</u>	2012 <u>Actual</u>
<u>SEWER RENOVATION PROJECT*</u>		
Cash Receipts		
KDHE Loan	\$ 122,959	-
CDBG Grant	1,551	-
USDA Loan	2,869,000	-
Transfer from Sewer Reserve	86,984	-
Total Cash Receipts	<u>3,080,494</u>	<u>-</u>
Expenditures		
Construction	10,000	-
KDHE - Temporary Loan Pay-off	2,472,410	-
Transfer to Sewer Reserve	92,846	44,907
Sewer Project Expenditures	21,040	-
Transfer to Sewer Bond and Interest	-	129,948
Transfer to Collection System Project	105,012	-
Total Expenditures	<u>2,701,308</u>	<u>174,855</u>
Receipts Over (Under) Expenditures	379,186	(174,855)
Unencumbered Cash, January 1	<u>(204,331)</u>	<u>174,855</u>
Unencumbered Cash, December 31	<u>\$ 174,855</u>	<u>-</u>
<u>COLLECTION SYSTEM PROJECT*</u>		
Cash Receipts		
Temporary Loan - 2012	\$ -	1,443,000
Transfer from Sewer Renovation	105,012	-
Interest	136	2,229
Total Cash Receipts	<u>105,148</u>	<u>1,445,229</u>
Expenditures		
Phase II Expenditures	-	118,940
Phase I Loan Payment	105,013	-
Phase I Interest Payment	111	-
Cost of Issuance	-	630
Total Expenditures	<u>105,124</u>	<u>119,570</u>
Receipts Over (Under) Expenditures	24	1,325,659
Unencumbered Cash, January 1	<u>36,578</u>	<u>36,602</u>
Unencumbered Cash, December 31	<u>\$ 36,602</u>	<u>1,362,261</u>
<u>STREETSCAPE PROJECT*</u>		
Cash Receipts		
KDOT Reimbursement	\$ -	586,235
Transfer from Electric Reserve	-	31,532
Transfer from Sales Tax Project	61,236	154,852
Total Cash Receipts	<u>61,236</u>	<u>772,619</u>
Expenditures		
Expenses	<u>61,236</u>	<u>772,619</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, January 1	<u>-</u>	<u>-</u>
Unencumbered Cash, December 31	<u>\$ -</u>	<u>-</u>

*Not Budgeted

CITY OF ALMA, KANSAS
BUSINESS FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	2011	2012		Variance - Over (Under)
	Actual	Actual	Budget	(Under)
<u>ELECTRIC UTILITY</u>				
Cash Receipts				
Sales and Charges	\$ 1,432,640	1,382,255	1,510,065	(127,810)
Sales Tax	38,304	35,398	20,000	15,398
Penalties and Other	11,954	15,530	20,000	(4,470)
Transfer from Electric Reserve	-	4,000	-	4,000
Total Cash Receipts	1,482,898	1,437,183	1,550,065	(112,882)
Expenditures				
Personal Services	152,197	175,973	155,000	20,973
Commodities	30,976	46,686	50,000	(3,314)
Contractual Services	23,243	28,567	20,000	8,567
Energy Purchased	995,131	948,170	865,000	83,170
Sales Tax	38,426	36,664	25,000	11,664
Transfer to General	80,000	80,000	80,000	-
Transfer to Electric Reserve	36,000	36,000	36,000	-
Employee Benefits Reimbursement	71,486	119,908	65,000	54,908
Capital Outlay	116	-	194,000	(194,000)
Refunds to Customers	121	80	-	80
Transfer to 2002 Bond Fund	40,000	53,665	40,000	13,665
Transfer to General - Park Valley	34,755	3,653	-	3,653
Transfer to Kansas Partnership Loan	20,064	20,064	20,065	(1)
Total Expenditures	1,522,515	1,549,430	1,550,065	(635)
Receipts Over (Under) Expenditures	(39,617)	(112,247)		
Unencumbered Cash, January 1	152,994	113,377		
Unencumbered Cash, December 31	\$ 113,377	1,130		
<u>GAS UTILITY</u>				
Cash Receipts				
Sales and Charges	\$ 638,493	426,182	1,224,000	(797,818)
Sales Tax	12,014	8,008	13,000	(4,992)
Penalties and Other	3,211	4,090	10,000	(5,910)
Transfer from Gas Reserve	28,400	28,139	-	28,139
Total Cash Receipts	682,118	466,419	1,247,000	(780,581)
Expenditures				
Personal Services	63,943	44,293	74,000	(29,707)
Commodities	24,270	29,178	44,000	(14,822)
Contractual Services	23,221	29,049	23,000	6,049
Energy Purchases	485,433	300,984	968,000	(667,016)
Sales Tax	12,500	9,787	15,000	(5,213)
Capital Outlay	-	-	40,000	(40,000)
Transfer to Gas Reserve	36,000	36,000	36,000	-
Employee Benefits Reimbursement	40,040	18,573	47,000	(28,427)
Total Expenditures	685,407	467,864	1,247,000	(779,136)
Receipts Over (Under) Expenditures	(3,289)	(1,445)		
Unencumbered Cash, January 1	5,391	2,102		
Unencumbered Cash, December 31	\$ 2,102	657		

CITY OF ALMA, KANSAS
BUSINESS FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	2011	2012		Variance - Over (Under)
<u>WATER UTILITY</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts				
Sales and Charges	\$ 267,530	282,600	360,000	(77,400)
Sales Tax and Water Protection Fee	8,792	9,321	9,500	(179)
Transfer from Water Reserve	33,980	27,629	90,000	(62,371)
Miscellaneous and Reimbursements	2,753	4,896	5,000	(104)
Total Cash Receipts	313,055	324,446	464,500	(140,054)
Expenditures				
Personal Services	41,733	44,293	50,000	(5,707)
Commodities	60,748	56,479	80,000	(23,521)
Contractual Services	21,012	24,909	25,000	(91)
Water Plan Fee	2,185	2,960	4,000	(1,040)
Water Sampling	480	880	-	880
Water Chemicals	12,056	19,049	-	19,049
Sales Tax	7,995	8,055	8,000	55
Refunds to Customers	-	61	-	61
Capital Outlay	-	-	135,000	(135,000)
Transfer to Water Reserve	32,460	26,820	33,840	(7,020)
Transfer to Water Bond and Interest	33,840	25,380	33,384	(8,004)
Transfer to 2012 Water Bond	-	26,490	-	26,490
Transfer to Water Plant (2006 Bond)	79,371	59,528	73,560	(14,032)
Employee Benefits Reimbursement	16,975	18,573	25,000	(6,427)
Total Expenditures	308,855	313,477	467,784	(154,307)
Receipts Over (Under) Expenditures	4,200	10,969		
Unencumbered Cash, January 1	3,260	7,460		
Unencumbered Cash, December 31	\$ 7,460	18,429		
<u>SEWER UTILITY</u>				
Cash Receipts				
User Fees	\$ 302,230	308,573	486,000	(177,427)
Miscellaneous Reimbursements	12,709	1,803	4,000	(2,197)
Total Cash Receipts	314,939	310,376	490,000	(179,624)
Expenditures				
Personal Services	13,911	15,962	45,000	(29,038)
Commodities	33,881	35,537	30,000	5,537
Contractual Services	17,760	11,613	20,000	(8,387)
Refunds to Customers	-	36	-	36
Capital Outlay	-	-	94,500	(94,500)
Transfer to Sewer Bond and Interest	19,476	1,622	19,500	(17,878)
Transfer to Sewer Reserve	33,876	16,023	36,000	(19,977)
Employee Benefits Reimbursement	16,963	10,027	25,000	(14,973)
Sewer Operations and Maintenance Cost	5,188	7,166	10,000	(2,834)
Transfer to Sewer Renovation Project	-	-	24,000	(24,000)
Transfer to Sewer Renovation Loan	178,575	164,935	178,566	(13,631)
Total Expenditures	319,630	262,921	482,566	(219,645)
Receipts Over (Under) Expenditures	(4,691)	47,455		
Unencumbered Cash, January 1	33,125	28,434		
Unencumbered Cash, December 31	\$ 28,434	75,889		

CITY OF ALMA, KANSAS
AGENCY FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

<u>RETURN CHECKS*</u>	2011 <u>Actual</u>	2012 <u>Actual</u>
Cash Receipts	\$ 3,629	-
Expenditures		
Miscellaneous Expenditures	3,312	-
Receipts Over (Under) Expenditures	317	-
Unencumbered Cash, January 1	(317)	-
Unencumbered Cash, December 31	<u>\$ -</u>	<u>-</u>
 <u>CREDIT CARD DEPOSITS*</u>		
Cash Receipts	\$ 2,450	2,450
Expenditures		
Transfer to Electric Utility	2,450	2,200
Receipts Over (Under) Expenditures	-	250
Unencumbered Cash, January 1	-	-
Unencumbered Cash, December 31	<u>\$ -</u>	<u>250</u>

* Not Budgeted

CITY OF ALMA, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U S Department of Agriculture Water and Waste Disposal Systems for Rural Communities	10 76	\$ 118,940
Total U S Department of Agriculture		<u>118,940</u>
U S Department of Transportation Passed through the Kansas Department of Transportation Highway Planning and Construction	20 205	586,235
Total U S Department of Transportation		<u>586,235</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 705,175</u>

The accompanying notes are an integral part of this schedule

CITY OF ALMA, KANSAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS **FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of The City of Alma, Kansas (City) under programs of the federal government for the year ended December 31, 2012. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in the financial position of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accounting practices prescribed by the State of Kansas to demonstrate compliance with the regulatory basis of accounting, the same basis as the financial statements accompanying this schedule.



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

To the Mayor and City Council
City of Alma
Alma, Kansas 66401

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the summary statement of receipts, expenditures, and unencumbered cash of the City of Alma, Kansas (City) as of and for the year ended December 31, 2012, and the related notes to the financial statement, which collectively comprise the City's basic financial statement and have issued our report thereon dated July 1, 2012

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 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 financial statement will not be prevented or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statement is free of material misstatement, we performed tests of its compliance with certain

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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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pottberg, Gassman & Hoffman, Chartered.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
July 1, 2013



PGH Certified Public Accountants

Pottberg, Gassman & Hoffman, Chtd.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE OF ITS MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Mayor and City Council
City of Alma
Alma, Kansas 66401

Report on Compliance for the Major Federal Program

We have audited the City of Alma, Kansas' (City) compliance with the types of compliance requirements described in the U S Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended December 31, 2012. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, Kansas Municipal Audit and Accounting Guide, 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 the City's 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City of Alma, Kansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine

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the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on its major federal program 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 the City's 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Pottberg, Gassman & Hoffman, Chartered.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
July 1, 2013

CITY OF ALMA, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION I – SUMMARY OF AUDITORS' RESULTS

- 1 The auditors' report expresses an unqualified opinion on the financial statement of City of Alma, Kansas
- 2 No significant deficiencies were disclosed during the audit of the financial statement and no material weaknesses are reported in the **Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.**
- 3 No instances of noncompliance material to the financial statement of City of Alma, Kansas were disclosed during the audit
- 4 No significant deficiencies were disclosed during the audit and no material weaknesses were reported in the **Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on its Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.**
- 5 The auditors' report on compliance for the major federal award program for the City of Alma, Kansas expresses an unqualified opinion
- 6 There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this schedule
- 7 The program tested as a major program was USDOT Highway Planning and Construction CFDA 20 205
- 8 The threshold for distinguishing Type A and B programs was \$300,000
- 9 The City of Alma, Kansas did not qualify as a low-risk auditee

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

None reported

SECTION III – MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

None reported