

**CITY OF ANTHONY, KANSAS**  
**Anthony, Kansas**

**Financial Statements**  
**December 31, 2012**

**with**  
**Independent Auditors' Report**

CITY OF ANTHONY, KANSAS  
 Financial Statements  
 Year Ended December 31, 2012  
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**INDEPENDENT AUDITOR'S REPORT**

Mayor and City Council  
City of Anthony, Kansas

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

*Management's Responsibility for the Financial Statement*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

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

*Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

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

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

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

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

*Opinion on Regulatory Basis of Accounting*

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

*Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the City of Anthony's basic financial statement. The 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 also not a required part of the basic financial statement.

The combining and individual nonmajor fund financial statement and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statement and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statement as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 3, 2013, on our consideration of the City of Anthony's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 City of Anthony's internal control over financial reporting and compliance.

September 3, 2013

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

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Current Year Ending Cash Balance
<b>Governmental Funds:</b>						
General	\$ 1,071,215	\$ 1,813,762	\$ 2,644,815	\$ 240,162	\$ 35,469	\$ 275,631
<b>Special Purpose Funds:</b>						
Airport	6,976	438,615	445,590	1	263,155	263,156
Employee Benefit	21,736	222,631	241,972	2,395	237	2,632
Library	1,234	54,520	51,127	4,627	-	4,627
Library Employee Benefit Fund	405	13,632	12,972	1,065	-	1,065
Special Parks and Recreation	3,169	4,549	412	7,306	23	7,329
Special Street and Highway	335,974	155,838	24,160	467,652	-	467,652
Anthony Transportation Services	149	20,052	19,805	396	215	611
Industrial Development	63,734	143,888	185,453	22,169	-	22,169
Recreation	8,528	127,106	130,358	5,276	286	5,562
Municipal Equipment Reserve	42,947	355,583	23,733	374,797	-	374,797
Downtown Revitalization Loan	55,760	5,863	-	61,623	-	61,623
Capital Improvements	279,913	701,530	310,214	671,229	-	671,229
CDBG Urgent Need	18	3,000	3,000	18	-	18
<b>Bond and Interest Funds:</b>						
Bond and Interest	8,677	79,386	72,339	15,724	-	15,724
Series 2010 GO Bond Debt Service	20,312	27,172	24,946	22,538	-	22,538
GO Temporary Note Series 2010	16,746	-	1,697	15,049	-	15,049
Electric Debt Service	38,809	285,900	281,847	42,862	-	42,862
Electric Debt Service Reserve	280,500	-	-	280,500	-	280,500
Water Debt Service	34,132	-	-	34,132	-	34,132
WWTF Loan	41,868	179,534	156,284	65,118	-	65,118
Series 2005 Electric Bond Debt Service	6,111	29,576	28,623	7,064	-	7,064
Series 2005 Electric Bond Debt Service Reserve	30,000	-	-	30,000	-	30,000
<b>Capital Projects</b>						
GO Temporary Note Series 2012	-	4,946,215	4,697,468	248,747	389,391	638,138
<b>Permanent Fund:</b>						
Wayne Dennis	766,240	32,577	21,855	776,962	1,325	778,287
<b>Business Funds:</b>						
Electric Utility	203,153	4,227,963	3,794,417	636,699	226,037	862,736
Sewer Utility	42,183	408,376	386,074	64,485	6,422	70,907
Water Utility	221,274	1,452,038	994,828	678,484	19,237	697,721
Electric System Depreciation and Replacement	250,000	-	-	250,000	-	250,000

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

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Current Year Ending Cash Balance
Electric System Reserve	800,000	-	315,000	485,000	-	485,000
Electric System Equipment Replacement	7,264	-	-	7,264	-	7,264
Sewer System Reserve	50,000	-	-	50,000	-	50,000
Sewer Equipment Replacement	5,501	-	-	5,501	-	5,501
Wastewater Lagoon Cleaning	64,600	8,100	-	72,700	-	72,700
Water Reserve	300,000	-	-	300,000	-	300,000
Water Equipment Replacement	41,361	26,600	-	67,961	-	67,961
Fiduciary Funds:						
Public Relief	27,752	1,545	-	29,297	-	29,297
<b>Total Primary Government</b>	<b>\$ 5,148,241</b>	<b>\$ 15,765,551</b>	<b>\$ 14,868,989</b>	<b>\$ 6,044,803</b>	<b>\$ 941,797</b>	<b>\$ 6,986,600</b>
Related Municipal Entity:						-
Public Library	358,164	921,883	156,046	1,124,001	1,818	1,125,819
<b>Total Reporting Entity (Excluding Agency Funds)</b>	<b>\$ 5,506,405</b>	<b>\$ 16,687,434</b>	<b>\$ 15,025,035</b>	<b>\$ 7,168,804</b>	<b>\$ 943,615</b>	<b>\$ 8,112,419</b>

Composition of Cash:	
Checking Accounts	\$ 3,972,520
Certificates of Deposit	1,734,384
Other Investements	1,321,067
<b>Total Primary Government</b>	<b>\$ 7,027,971</b>
<b>Total Related Muncipal Entity</b>	<b>\$ 1,125,819</b>
<b>Total Reporting Entity</b>	<b>\$ 8,153,790</b>
Agency Funds per Statement 4	(41,371)
<b>Total Reporting Entity</b>	<b>\$ 8,112,419</b>

CITY OF ANTHONY, KANSAS  
 Summary of Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012

Funds	Certified Budget	Expenditures Chargeable to Current Year	Variance - Over (Under)
<b>Governmental Type Funds:</b>			
General	\$ 2,947,636	\$ 2,644,815	\$ (302,821)
<b>Special Purpose Funds:</b>			
Airport	1,058,428	445,590	(612,838)
Employee Benefit	337,280	241,972	(95,308)
Library	52,292	51,127	(1,165)
Library Employee Benefit Fund	13,267	12,972	(295)
Special Parks and Recreation	4,975	412	(4,563)
Special Street and Highway	524,672	24,160	(500,512)
Anthony Transportation Services	26,463	19,805	(6,658)
Industrial Development	208,744	185,453	(23,291)
Recreation	141,407	130,358	(11,049)
<b>Debt Service Funds:</b>			
Bond and Interest	75,151	72,339	(2,812)
<b>Business Funds:</b>			
Electric Utility	4,345,064	3,794,417	(550,647)
Sewer Utility	402,839	386,074	(16,765)
Water Utility	1,167,145	994,828	(172,317)

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

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

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	\$ 373,148	\$ 407,727	\$ (34,579)
Delinquent	28,513	28,513	-
Motor vehicle	68,943	68,937	6
Transient guest tax	31,586	31,586	-
Licenses, permits and fees	22,694	23,173	(479)
Local retail sales tax	225,863	218,987	6,876
Highway connecting links	17,544	17,544	-
Franchise fees	69,130	68,972	158
Fines, forfeitures and penalties	17,875	15,750	2,125
Interest	2,450	1,964	486
Building rental	2,285	2,700	(415)
Rural fire contracts	19,000	19,000	-
Oil and gas lease	6,782	68,136	(61,354)
Fireman relief association loan payment	51,750	51,750	-
CDBG Grant	157,175	157,175	-
Meineke estate donation	400,000	400,000	-
Reimbursed expenses	120,863	75,245	45,618
Other	621	21,722	(21,101)
Transfers from:			
Water Utility	22,984	22,984	-
Electric Utility	163,898	163,898	-
Sewer Utility	10,658	10,658	-
Total Cash Receipts	1,813,762	1,876,421	(62,659)
Expenditures:			
General government:			
Personnel services	62,426	63,835	(1,409)
Commodities	61,342	29,966	31,376
Contractual services	43,450	76,500	(33,050)
Capital outlay	74,631	75,631	(1,000)

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

	Actual	Budget	Variance - Over (Under)
Expenditures (continued):			
Police department:			
Personnel services	289,622	292,589	(2,967)
Commodities	36,783	35,318	1,465
Contractual services	23,477	22,387	1,090
Capital outlay	23,674	23,878	(204)
Fire department:			
Personnel services	1,609	1,600	9
Commodities	50,248	47,881	2,367
Contractual services	36,445	32,134	4,311
Capital outlay	252,269	250,040	2,229
Parks department:			
Personnel services	8,353	8,627	(274)
Commodities	2,702	1,975	727
Contractual services	1,169	1,815	(646)
Capital outlay	254	275	(21)
Street department:			
Personnel services	149,018	151,780	(2,762)
Commodities	41,948	38,633	3,315
Contractual services	9,424	12,567	(3,143)
Capital outlay	20,642	20,649	(7)
General public transportation:			
Personnel services	12,589	9,500	3,089
Commodities	809	680	129
Contractual services	1,681	1,380	301
Other:			
Tree board	1,309	1,500	(191)
Municipal appropriation	10,343	12,000	(1,657)
Sales tax to hospital	225,863	218,987	6,876
Airport improvement grant project	-	38,444	(38,444)
Neighborhood revitalization rebate	-	11,499	(11,499)
Building demolition	11,755	11,755	-
Oil and gas lease project	214,386	220,000	(5,614)
Transient guest tax	18,802	16,802	2,000

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

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Over (Under)</u>
Expenditures (continued):			
Transfers to:			
Capital Improvements Fund	602,209	1,206,303	(604,094)
Municipal Equipment Reserve Fund	355,583	10,706	344,877
Total Expenditures	<u>2,644,815</u>	<u>2,947,636</u>	<u>\$ (302,821)</u>
Receipts Over (Under) Expenditures	(831,053)	(1,071,215)	
Unencumbered Cash, Beginning	<u>1,071,215</u>	<u>1,071,215</u>	
Unencumbered Cash, Ending	<u>\$ 240,162</u>	<u>\$ -</u>	

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

CITY OF ANTHONY, KANSAS  
 Schedule of Cash Receipts and Expenditures - Actual and Budget  
 Airport Fund  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance - Over (Under)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	\$ 10,459	\$ 11,763	\$ (1,304)
Delinquent	1,789	1,789	-
Motor vehicle	5,882	5,881	1
Gas sales	30,092	29,689	403
Farmland lease	-	5,589	(5,589)
Rentals	9,408	9,108	300
Airport improvement grant	380,737	987,384	(606,647)
Reimbursed expense	248	249	(1)
Total Cash Receipts	<u>438,615</u>	<u>1,051,452</u>	<u>(612,837)</u>
Expenditures:			
Personal services	3,379	3,227	152
Commodities	19,271	17,321	1,950
Contractual services	127,675	1,032,362	(904,687)
Capital outlay	295,265	4,878	290,387
Neighborhood revitalization rebate	-	640	(640)
Total Expenditures	<u>445,590</u>	<u>1,058,428</u>	<u>\$ (612,838)</u>
Receipts Over (Under) Expenditures	(6,975)	(6,976)	
Unencumbered Cash, Beginning	<u>6,976</u>	<u>6,976</u>	
Unencumbered Cash, Ending	<u>\$ 1</u>	<u>\$ -</u>	

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

CITY OF ANTHONY, KANSAS  
 Schedule of Cash Receipts and Expenditures - Actual and Budget  
 Employee Benefit Fund  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	\$ 80,434	\$ 88,553	\$ (8,119)
Delinquent	8,094	-	8,094
Motor vehicle	20,691	13,973	6,718
Neighborhood revitalization	201	-	201
Interest	2,102	800	1,302
Employee contribution	111,109	137,000	(25,891)
Total Cash Receipts	222,631	240,326	(17,695)
Expenditures:			
Employee contribution	109,216	137,000	(27,784)
Social Security	31,948	34,500	(2,552)
Health and life insurance	57,441	110,075	(52,634)
Retirement	33,875	31,900	1,975
Miscellaneous	262	25	237
Wrongful act insurance	1,102	1,500	(398)
Employee deductibles	4,214	9,000	(4,786)
Workers compensation	3,914	11,000	(7,086)
Neighborhood revitalization rebate	-	2,280	(2,280)
	241,972	337,280	\$ (95,308)
Receipts Over (Under) Expenditures	(19,341)	(96,954)	
Unencumbered Cash, Beginning	21,736	96,954	
Unencumbered Cash, Ending	\$ 2,395	\$ -	

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

CITY OF ANTHONY, KANSAS  
 Schedule of Cash Receipts and Expenditures - Actual  
 Library Fund  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	\$ 41,210	\$ 45,234	\$ (4,024)
Delinquent	3,775	-	3,775
Motor vehicle	9,535	6,440	3,095
Total Cash Receipts	54,520	51,674	2,846
Expenditures:			
Appropriation to Library	51,127	51,127	-
Neighborhood revitalization rebate	-	1,165	(1,165)
	51,127	52,292	(1,165)
Receipts Over (Under) Expenditures	3,393	(618)	
Unencumbered Cash, Beginning	1,234	618	
Unencumbered Cash, Ending	\$ 4,627	\$ -	

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

CITY OF ANTHONY, KANSAS  
 Schedule of Cash Receipts and Expenditures - Actual  
 Library Employee Benefit Fund  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	\$ 10,437	\$ 11,440	\$ (1,003)
Delinquent	885	-	885
Motor vehicle	2,310	1,569	741
Total Cash Receipts	13,632	13,009	623
Expenditures:			
Appropriation to Library	12,972	12,972	-
Neighborhood revitalization rebate	-	295	(295)
	12,972	13,267	\$ (295)
Receipts Over (Under) Expenditures	660	(258)	
Unencumbered Cash, Beginning	405	258	
Unencumbered Cash, Ending	\$ 1,065	\$ -	

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

CITY OF ANTHONY, KANSAS  
 Schedule of Cash Receipts and Expenditures - Actual  
 Special Parks and Recreation Fund  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Kansas state liquor	\$ 4,467	\$ 4,875	\$ (408)
Reimbursement	82	100	(18)
Total Cash Receipts	4,549	4,975	(426)
Expenditures:			
Personal service	-	1,000	(1,000)
Contractual services	412	1,589	(1,177)
Commodities	-	2,000	(2,000)
Capital outlay	-	386	(386)
Total Expenditures	412	4,975	\$ (4,563)
Receipts Over (Under) Expenditures	4,137	-	
Unencumbered Cash, Beginning	3,169	-	
Unencumbered Cash, Ending	\$ 7,306	\$ -	

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

CITY OF ANTHONY, KANSAS  
 Schedule of Cash Receipts and Expenditures - Actual and Budget  
 Special Street and Highway Fund  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
State of Kansas gas tax	\$ 58,573	\$ 60,080	\$ (1,507)
Reimbursed expense	96,499	1,000	95,499
Interest	766	1,000	(234)
Total Cash Receipts	155,838	62,080	93,758
Expenditures:			
Personal service	22,669	6,200	16,469
Contractual services	1,491	15,000	(13,509)
Commodities	-	10,500	(10,500)
Capital outlay	-	492,972	(492,972)
Total Expenditures	24,160	524,672	(500,512)
Receipts Over (Under) Expenditures	131,678	(462,592)	
Unencumbered Cash, Beginning	335,974	462,592	
Unencumbered Cash, Ending	\$ 467,652	\$ -	

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

CITY OF ANTHONY, KANSAS  
 Schedule of Cash Receipts and Expenditures - Actual and Budget  
 Anthony Transportation Service Fund  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Membership and rides	\$ 4,700	\$ 5,800	\$ (1,100)
Grants	15,115	18,830	(3,715)
Reimbursements	237	600	(363)
Total Cash Receipts	20,052	25,230	(5,178)
Expenditures:			
Personal services	13,538	21,410	(7,872)
Contractual	1,331	4,710	(3,379)
Commodities	4,936	343	4,593
Total Expenditures	19,805	26,463	(6,658)
Receipts Over (Under) Expenditures	247	(1,233)	
Unencumbered Cash, Beginning	149	1,233	
Unencumbered Cash, Ending	\$ 396	\$ -	

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

CITY OF ANTHONY, KANSAS  
 Schedule of Cash Receipts and Expenditures - Actual and Budget  
 Industrial Development Fund  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	\$ 12,088	\$ 13,211	\$ (1,123)
Delinquent	962	961	1
Motor vehicle	2,473	2,473	-
Rental income	128,044	128,044	-
Sale of land	1	1	-
Reimbursed expense	320	320	-
Total Cash Receipts	143,888	145,010	(1,122)
Expenditures:			
Contractual services	3,230	25,505	(22,275)
Commodities	363	1,000	(637)
Capital outlay	116,860	116,860	-
Neighborhood revitalization rebate	-	379	(379)
Transfer to Capital Improvements Fund	65,000	65,000	-
Total Expenditures	185,453	208,744	\$ (23,291)
Receipts Over (Under) Expenditures	(41,565)	(63,734)	
Unencumbered Cash, Beginning	63,734	63,734	
Unencumbered Cash, Ending	\$ 22,169	\$ -	

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

CITY OF ANTHONY, KANSAS  
 Schedule of Cash Receipts and Expenditures - Actual and Budget  
 Recreation Fund  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance - Over (Under)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	\$ 28,062	\$ 30,814	\$ (2,752)
Delinquent	2,605	-	2,605
Motor vehicle	6,651	4,517	2,134
Pool improvement charge	41,911	42,220	(309)
Swimming pool fees	19,110	-	19,110
Concessions	12,205	-	12,205
Entry fees	11,128	-	11,128
Donations	1,285	-	1,285
Reimbursements	4,149	-	4,149
Total Cash Receipts	<u>127,106</u>	<u>77,551</u>	<u>49,555</u>
Expenditures:			
Personal services	27,432	40,550	(13,118)
Contratual services	16,886	32,404	(15,518)
Commodities	40,753	25,440	15,313
Appropriation to recreation	-	-	-
Neighborhood revitalization rebate	-	793	(793)
Transfer to:			
Capital Improvements Fund	18,115	16,888	1,227
Series 2010 GO Bond Dept Service Fund	27,172	25,332	1,840
Total Expenditures	<u>130,358</u>	<u>141,407</u>	<u>\$ (11,049)</u>
Receipts Over (Under) Expenditures	(3,252)	(63,856)	
Unencumbered Cash, Beginning	<u>8,528</u>	<u>-</u>	
Unencumbered Cash, Ending	<u>\$ 5,276</u>	<u>\$ (63,856)</u>	

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Municipal Equipment Reserve Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Transfer from General Fund	\$ 355,583
Expenditures:	
Commodities	<u>23,733</u>
Receipts Over (Under) Expenditures	331,850
Unencumbered Cash, Beginning	<u>42,947</u>
Unencumbered Cash, Ending	<u><u>\$ 374,797</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Downtown Revitalization Loan Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Repayments	<u>\$ 5,863</u>
Receipts Over (Under) Expenditures	5,863
Unencumbered Cash, Beginning	<u>55,760</u>
Unencumbered Cash, Ending	<u><u>\$ 61,623</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual  
Capital Improvements Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Donations	\$ 3,785
Transfers from:	
General Fund	602,209
Industrial Development Fund	65,000
Recreation Commission Fund	18,115
Water Utility Fund	12,421
Total Cash Receipts	<u>701,530</u>
 Expenditures:	
Commodities	31,931
Capital outlay	278,283
Total Expenditures	<u>310,214</u>
 Receipts Over (Under) Expenditures	391,316
 Unencumbered Cash, Beginning	<u>279,913</u>
 Unencumbered Cash, Ending	<u><u>\$ 671,229</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual  
CDBG Urgent Need Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts	
State of Kansas	\$ 3,000
Expenditures:	
Fire truck	<u>3,000</u>
Receipts Over (Under) Expenditures	-
Unencumbered Cash, Beginning	<u>18</u>
Unencumbered Cash, Ending	<u><u>\$ 18</u></u>

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

CITY OF ANTHONY, KANSAS  
 Schedule of Cash Receipts and Expenditures - Actual and Budget  
 Bond and Interest Fund  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Actual	Budget	Variance - Over (Under)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	\$ 46,112	\$ 50,726	\$ (4,614)
Delinquent	4,243	-	4,243
Motor vehicle	11,744	7,932	3,812
Special assessments	17,287	11,038	6,249
Total Cash Receipts	79,386	69,696	9,690
Expenditures:			
Principal	45,000	45,000	-
Interest	27,338	27,337	1
Commission and postage	1	8	(7)
Cash basis reserve	-	1,500	(1,500)
Neighborhood revitalization rebate	-	1,306	(1,306)
Total Expenditures	72,339	75,151	(2,812)
Receipts Over (Under) Expenditures	7,047	(5,455)	
Unencumbered Cash, Beginning	8,677	5,455	
Unencumbered Cash, Ending	\$ 15,724	\$ -	

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Series 2010 GO Bond Debt Service Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Transfers from Recreation Commission Fund	\$ 27,172
Expenditures:	
Principal	19,973
Interest	<u>4,973</u>
Total Expenditures	<u>24,946</u>
Receipts Over (Under) Expenditures	2,226
Unencumbered Cash, Beginning	<u>20,312</u>
Unencumbered Cash, Ending	<u><u>\$ 22,538</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
GO Temporary Note Series 2010 Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Expenditures:	
Personnel services	<u>\$ 1,697</u>
Receipts Over (Under) Expenditures	(1,697)
Unencumbered Cash, Beginning	<u>16,746</u>
Unencumbered Cash, Ending	<u><u>\$ 15,049</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Electric Debt Service Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Transfer from Electric Utility Fund	\$ 285,900
Expenditures:	
Principal	230,000
Interest	<u>51,847</u>
Total Expenditures	<u>281,847</u>
Receipts Over (Under) Expenditures	4,053
Unencumbered Cash, Beginning	<u>38,809</u>
Unencumbered Cash, Ending	<u><u>\$ 42,862</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Electric Debt Service Reserve Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 280,500</u>
Unencumbered Cash, Ending	<u><u>\$ 280,500</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Water Debt Service Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 34,132</u>
Unencumbered Cash, Ending	<u><u>\$ 34,132</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
WWTF Loan Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Transfer from Sewer Utility Fund	\$ 179,534
Expenditures:	
Principal	108,436
Interest	<u>47,848</u>
Total Expenditures	<u>156,284</u>
Receipts Over (Under) Expenditures	23,250
Unencumbered Cash, Beginning	<u>41,868</u>
Unencumbered Cash, Ending	<u><u>\$ 65,118</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Series 2005 Electric Bond Debt Service Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Interest	\$ 214
Transfer from Electric Utility Fund	29,362
Total Cash Receipts	<u>29,576</u>
Expenditures:	
Principal	20,000
Interest	8,623
Total Expenditures	<u>28,623</u>
Receipts Over (Under) Expenditures	953
Unencumbered Cash, Beginning	<u>6,111</u>
Unencumbered Cash, Ending	<u>\$ 7,064</u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Series 2005 Electric Bond Debt Service Reserve Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 30,000</u>
Unencumbered Cash, Ending	<u><u>\$ 30,000</u></u>

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

CITY OF ANTHONY, KANSAS  
 Schedule of Cash Receipts and Expenditures - Actual and Budget  
 GO Temporary Note Series 2012 Fund  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Actual
Cash Receipts:	
Bond proceeds	\$ 4,795,000
Interest	116
Reimbursements	151,099
	4,946,215
Expenditures:	
Cost of issuance	109,466
Contractual services	116,880
Capital outlay	3,591,039
Debt service principal	261,273
Debt service interest	1,141
Transfer to:	
Water Utility Fund	591,069
Water Equipment Replacement Fund	26,600
Total Expenditures	4,697,468
Receipts Over (Under) Expenditures	248,747
Unencumbered Cash, Beginning	-
Unencumbered Cash, Ending	\$ 248,747

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Wayne Dennis Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Interest	\$ 32,577
Expenditures:	
Community projects	<u>21,855</u>
Receipts Over (Under) Expenditures	10,722
Unencumbered Cash, Beginning	<u>766,240</u>
Unencumbered Cash, Ending	<u><u>\$ 776,962</u></u>

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

CITY OF ANTHONY, KANSAS  
 Schedule of Cash Receipts and Expenditures - Actual and Budget  
 Electric Utility Fund  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance - Over (Under)
Cash Receipts:			
Charges for service	\$ 3,658,263	\$ 3,697,615	\$ (39,352)
Reimbursements	237,196	112,531	124,665
Lease income	6,127	6,127	-
Interest	5,495	4,756	739
Miscellaneous	5,882	5,882	-
Transfer from Electric System Reserve Fund	315,000	315,000	-
Total Cash Receipts	<u>4,227,963</u>	<u>4,141,911</u>	<u>86,052</u>
Expenditures:			
Administration	801,991	166,017	635,974
Production	1,927,213	2,665,653	(738,440)
Distribution	246,968	645,171	(398,203)
Capital outlay	339,085	372,585	(33,500)
Lease purchase	-	16,477	(16,477)
Transfers to:			
Series 2005 Electric Bond Debt Service Fund	29,362	28,623	739
Electric Debt Service Fund	285,900	286,640	(740)
General fund	163,898	163,898	-
Total Expenditures	<u>3,794,417</u>	<u>4,345,064</u>	<u>\$ (550,647)</u>
Receipts Over (Under) Expenditures	433,546	(203,153)	
Unencumbered Cash, Beginning	<u>203,153</u>	<u>203,153</u>	
Unencumbered Cash, Ending	<u>\$ 636,699</u>	<u>\$ -</u>	

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

CITY OF ANTHONY, KANSAS  
 Schedule of Cash Receipts and Expenditures - Actual and Budget  
 Sewage Utility Fund  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance - Over (Under)</u>
Cash Receipts:			
Charges for service	\$ 362,456	\$ 360,019	\$ 2,437
Reimbursements	45,832	40,718	5,114
Interest	88	68	20
Total Cash Receipts	<u>408,376</u>	<u>400,805</u>	<u>7,571</u>
Expenditures:			
Administration	118,812	43,230	75,582
Treatment	63,751	155,150	(91,399)
Capital outlay	5,219	6,214	(995)
Transfers to:			
Wastewater Lagoon Cleaning Fund	8,100	8,100	-
WWFT Loan Fund	179,534	179,487	47
General Fund	10,658	10,658	-
Total Expenditures	<u>386,074</u>	<u>402,839</u>	<u>\$ (16,765)</u>
Receipts Over (Under) Expenditures	22,302	(2,034)	
Unencumbered Cash, Beginning	<u>42,183</u>	<u>42,183</u>	
Unencumbered Cash, Ending	<u>\$ 64,485</u>	<u>\$ 40,149</u>	

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

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

	<u>Actual</u>	<u>Budget</u>	Variance - Over (Under)
Cash Receipts:			
Charges for service	\$ 790,500	\$ 786,063	\$ 4,437
License and fees	8,200	7,940	260
Lake leases	25,261	25,112	149
Reimbursements	16,972	607,808	(590,836)
Lake maintenance and improvement	5,079	5,079	-
Lake capital improvements	7,342	7,207	135
Lease purchase	585	584	1
Community lake assistance	4,790	4,790	-
Interest	2,240	2,134	106
Transfer from GO Temporary Series 2012 Fund	591,069	-	591,069
Total Cash Receipts	<u>1,452,038</u>	<u>1,446,717</u>	<u>5,321</u>
Expenditures:			
Personnel services	328,570	275,891	52,679
Production	223,004	180,706	42,298
Distribution	256,916	450,508	(193,592)
Lake maintenance and improvement	-	85,529	(85,529)
Capital outlay	150,187	50,000	100,187
Lease purchase	746	746	-
Transfer to:			
General Fund	22,984	22,984	-
Water Debt Service Fund		87,500	(87,500)
Capital Improvements Fund	12,421	9,888	2,533
GO Temporary Notes Series 2010 Fund	-	3,393	(3,393)
Total Expenditures	<u>994,828</u>	<u>1,167,145</u>	<u>(172,317)</u>
Receipts Over (Under) Expenditures	457,210	279,572	
Unencumbered Cash, Beginning	<u>221,274</u>	<u>221,274</u>	
Unencumbered Cash, Ending	<u>\$ 678,484</u>	<u>\$ 500,846</u>	

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Electric System Depreciation and Replacement Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 250,000</u>
Unencumbered Cash, Ending	<u><u>\$ 250,000</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Electric System Reserve Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Expenditures:	
Transfers to Electric Utility Fund	<u>\$ 315,000</u>
Receipts Over (Under) Expenditures	(315,000)
Unencumbered Cash, Beginning	<u>800,000</u>
Unencumbered Cash, Ending	<u><u>\$ 485,000</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Electric System Equipment Replacement Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 7,264</u>
Unencumbered Cash, Ending	<u><u>\$ 7,264</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Sewer System Reserve Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 50,000</u>
Unencumbered Cash, Ending	<u><u>\$ 50,000</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Sewer Equipment Replacement Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 5,501</u>
Unencumbered Cash, Ending	<u><u>\$ 5,501</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Wastewater Lagoon Cleaning Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Transfers from Sewer Utility Fund	<u>\$    8,100</u>
Receipts Over (Under) Expenditures	8,100
Unencumbered Cash, Beginning	<u>64,600</u>
Unencumbered Cash, Ending	<u><u>\$    72,700</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Water Reserve Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 300,000</u>
Unencumbered Cash, Ending	<u><u>\$ 300,000</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Water Equipment Replacement Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Transfer from GO Temporary Note Sereis 2012 Fund	<u>\$ 26,600</u>
Receipts Over (Under) Expenditures	26,600
Unencumbered Cash, Beginning	<u>41,361</u>
Unencumbered Cash, Ending	<u><u>\$ 67,961</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Public Relief Fund  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Miscellaneous	<u>\$ 1,545</u>
Receipts Over (Under) Expenditures	1,545
Unencumbered Cash, Beginning	<u>27,752</u>
Unencumbered Cash, Ending	<u><u>\$ 29,297</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Public Library - Related Municipal Entity  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Actual</u>
Cash Receipts:	
Appropriations	\$ 64,100
Grants	12,411
Donations	806,792
Book Sales	406
Interest and Dividends	35,054
Other	3,120
Total Cash Receipts	<u>921,883</u>
Expenditures:	
Personnel services	64,592
Contractual services	16,041
Commodities	34,816
Repairs and maintenance	29,144
Capital outlay	11,453
Total Expenditures	<u>156,046</u>
Receipts Over (Under) Expenditures	765,837
Unencumbered Cash, Beginning	<u>358,164</u>
Unencumbered Cash, Ending	<u><u>\$ 1,124,001</u></u>

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

CITY OF UDALL, KANSAS  
 Agency Funds  
 Schedule of Cash Receipts and Expenditures - Actual  
 Regulatory Basis  
 For the Year Ended December 31, 2012

Fund	Beginning Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
Sales tax	\$ 1,472	\$ 96,069	\$ 85,614	\$ 11,927	\$ 929	\$ 12,856
Service deposits	25,732	7,725	4,942	28,515	-	28,515
Total Agency Funds	<u>\$ 27,204</u>	<u>\$ 103,794</u>	<u>\$ 90,556</u>	<u>\$ 40,442</u>	<u>\$ 929</u>	<u>\$ 41,371</u>

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

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

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of the City of Anthony, Kansas (the City) is presented to assist in understanding the City's financial statement. The financial statement and notes are representations of the City's management, who is responsible for their integrity and objectivity. These accounting policies 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 and have been consistently applied in the preparation of the financial statement.

Reporting Entity

The City is a municipal corporation governed by five elected commissioners. One of these commissioners is then elected mayor by the five commissioners. The financial statement presents the City (the primary government) and its related municipal entity. The related municipal entity is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

The related municipal entity section of this financial statement includes financial data of the discretely presented related municipal entity. The related municipal entity is reported separately to emphasize that it is legally separate from the City. The governing body of the component unit is appointed by the City.

*Public Library*

The City operates the public library. Acquisition or disposition of real property by the Library must be approved by the City. Bond issuances must also be approved by the City. The City substantially funds the library operations by levying tax dollars. Complete financial records for the Public Library may be reviewed at the administrative offices at 624 E. Main, Anthony, Kansas 67003.

Use of Estimates

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

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

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

The financial activities of the City are recorded and presented on the basis of funds. The following types of funds comprise the financial activities of the City of Anthony, Kansas for the year 2012:

General Fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

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

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

Business Funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.).

Permanent Fund – to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the purposes that support the City's Programs – that is, for the benefit of the City or its citizenry.

Private Purposes 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 operation.

Agency Funds – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

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

1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

*Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.* The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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

2. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

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

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

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

2. Budgetary Information (continued)

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures including 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, trust funds, and the following special purpose funds: Capital Improvements Fund, Municipal Equipment Reserve Fund, Downtown Revitalization Loan Fund, CDBG Urgent Need Fund, Electric System Depreciation and Replacement Fund, Electric System Reserve Fund, Electric System Equipment Replacement Fund, Sewer System Reserve Fund, Sewer Equipment Replacement Fund, Wastewater Lagoon Cleaning Fund, Water Reserve Fund, Water Equipment Replacement Fund.

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

3. Deposits

*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.

At year-end, the carrying amount of the City's deposits were \$7,027,971. The bank statement balances were \$7,117,021. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining was collateralized by pledged securities and lines of credit held under joint custody receipts issued by a third-party bank in the City's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the City, the pledging bank, and the independent third-party bank holding the pledged securities.

At year-end, the carrying amount of the Library's deposits were \$1,125,819. The bank statement balances were \$1,129,188. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

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

4. Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Capital Improvement Fund	\$ 602,209
General Fund	Municipal Equipment Reserve Fund	355,583
Industrial Development Fund	Capital Improvement Fund	65,000
Recreation Fund	Capital Improvement Fund	18,115
Recreation Fund	Series 2010 GO Bond Debt Service Fund	27,172
GO Temporary Note Series 2012 Fund	Water Utility Fund	591,069
GO Temporary Note Series 2012 Fund	Water Equipment Replacement Fund	26,600
Electric Utility Fund	2005 Electric Bond Debt Service Fund	29,362
Electric Utility Fund	Electric Debt Service Fund	285,900
Electric Utility Fund	General Fund	163,898
Sewage Utility Fund	Wastewater Lagoon Cleaning Fund	8,100
Sewage Utility Fund	WWTF Loan Fund	179,534
Sewage Utility Fund	General Fund	10,658
Water Utility Fund	General Fund	22,984
Water Utility Fund	Capital Improvements Fund	12,421
Electric System Reserve Fund	Electric Utility Fund	315,000

5. Defined Benefit Pension Plan

*Plan description.* The City participates in the Kansas Public Employees Retirement System (KPERs). It is part of a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERs provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issue 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 establishes the KPERs member-employee contribution rates. Effective July 1, 2009 KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERs member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. 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.

CITY OF ANTHONY, KANSAS

Notes to Financial Statement

December 31, 2012

6. Compensated Absences

Vacation shall be earned for continuous service beginning with the most recent date of employment. 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. No more than 30 days of accrued vacation may be carried over from one calendar year to the next.

Full-time employees shall receive one day of vacation for each full month of employment. Full-time employees with 10 or more years of employment shall receive one and one-fourth (1¼) days of vacation for each full month of employment.

Part-time employees who work at least 20 hours or more per week shall earn vacation at the rate of four hours for each month of employment. Seasonal and temporary employees shall not earn vacation.

Upon termination, an employee shall be compensated for all earned but unused vacation at their final rate of pay, subject to the maximum hours of accumulation.

Sick leave shall be earned by full-time and part-time employees who are employed to work at least 20 hours or more per week. Full-time employees shall earn eight hours of sick leave for each month of employment. Part-time employees shall receive four hours of sick leave for each month of employment.

7. Capital Projects

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

<u>Project Name</u>	<u>Cash Disbursements and Account Payables to Date</u>	<u>Project Authorization</u>
Airport Refueling Station	\$103,345	\$140,000
Airport Extend Runway Aeron	61,240	90,000
Reconstruct Runway Design #3	96,500	96,500
Reconstruct Runway Construction #3	566,350	1,846,000
Water Utility Project	4,414,140	8,900,000
Former High School Renovation	133,062	133,062

8. Risk Management

The City manages risk primarily through the purchase of insurance coverage from commercial insurers.

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

9. Grants and Shared Revenues

The City 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 adjustments 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.

10. Debt Restrictions and Covenants

During the year ended December 31, 1998, the City issued Electric Utility System Revenue Bonds in the amount of \$3,345,000. The bonds were issued for the purpose of providing funds to pay for costs of acquiring, constructing, reconstructing, altering, repairing, improving, extending or enlarging the electric utility system of the City. In October 2004, the City issued Electric Utility System Revenue Refunding Bonds in the amount of \$2,805,000 to refinance the bonds issued in 1998.

In connection with the original 1998 bond issue, the City has made certain covenants and agreements to provide for the payment and security thereof. Under the terms of City Ordinance No. S-108, the City is required to meet certain requirements for “Net Revenues”, bond reserve accounts, rate covenants, tax covenants, depreciation and replacement reserves and bond and interest payment accounts. These covenants and agreements also apply to the Electric Utility System Revenue Refunding Bonds issued in 2004.

For the year ended December 31, 2012, the System had “Net Revenues”, as computed under the bond resolution, in the amount of \$361,769. Thus, net revenues were in excess of the 125% of the debt service requirement in the bond resolution.

	<u>Electric Utility Fund</u>	
Revenues		\$4,227,963
Expenditures		3,793,369
Transfers Out to Reserve Funds		(315,263)
Total Expenditures		<u>\$3,478,106</u>
Net Revenues		<u>749,857</u>
Debt Service Requirements for 2012		
2004 Electric Revenue Bond		281,847
2005 Electric Revenue Bond		<u>28,623</u>
Total		\$ 310,470
Total x 1.25		<u>\$(388,088)</u>
Operational Revenue Exceeding Rate Covenant Net Revenues		<u>\$ 361,769</u>

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

11. Special Assessments

Projects, financed in part by special assessments, are financed through general obligation bonds of the City and are retired from the Debt Service Fund. Special assessments paid prior to the issuance of the bonds are recorded as revenue in the appropriate project account. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service Fund.

12. Subsequent Events

In 2013, the City entered into a 40 year loan with USDA Rural Development for a water project. Also, two electric revenue bonds were refinanced into one General Obligation Bond. Subsequent events have been evaluated through September 3, 2013, which is the date the financial statement was available to be issued. Events requiring disclosure were identified and disclosed.

13. Compliance with Kansas Statutes

Management is aware of no statutory violations for the period covered by the December 31, 2012 financials.

CITY OF ANTHONY, KANSAS  
 Note - Long-Term Debt  
 For the Year Ended December 31, 2012

14. Long Term Debt Schedule

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
<b>General Obligation Bonds:</b>										
Series 2005- Fire Truck	2.90-4.40%	2005	\$ 235,000	2020	\$ 150,000	\$ -	\$ 15,000	\$ -	\$ 135,000	\$ 5,815
Main Trafficway Project	3.50-4.25%	2008	255,000	2023	225,000	-	15,000	-	210,000	8,980
Series 2009A - Sunrise Addn & Tennis Court	3.45-5.40%	2009	355,000	2024	290,000	-	15,000	-	275,000	12,543
Series 2010 A - Pool	3.25-4.15%	2010	280,000	2025	270,000	-	15,000	-	255,000	9,945
Total General Obligation Bonds					935,000	-	60,000	-	875,000	37,283
<b>Temporary Notes:</b>										
Water Improvements GO Temporary Notes	1.30%	2010	261,000	2013	261,000	-	261,000	-	-	1,414
Water Improvements GO Temporary Notes	0.75%	2011	172,000	2014	172,000	-	-	-	172,000	1,240
Water Improvements GO Temporary Notes	0.50%	2012	4,795,000	2014	-	4,795,000	-	-	4,795,000	12,187
Total Temporary Notes					433,000	4,795,000	261,000	-	4,967,000	14,841
<b>Revenue Bonds:</b>										
Electric Utility System Refunding - Series 2004	3.73%	2004	2,805,000	2017	1,390,000	-	230,000	-	1,160,000	51,847
Electric Utility Revenue Bond 2005	3.25%	2005	300,000	2020	205,000	-	20,000	-	185,000	8,623
Total Revenue Bonds					1,595,000	-	250,000	-	1,345,000	60,470
<b>Loan Warrants:</b>										
Fireman Relief Fund - 2009	0.00%	2009	100,000	2018	70,000	-	70,000	-	-	-
Fireman Relief Fund - 2010	0.00%	2010	14,400	2019	11,520	-	11,520	-	-	-
Fireman Relief Fund - 2012	0.00%	2012	51,750	2017	-	51,750	-	-	51,750	-
Total Loan Warrants					81,520	51,750	81,520	-	51,750	-
<b>KDHE Loans:</b>										
KDHE Loan Project No. C20-1212-01	3.49%	2002	1,851,150	2021	1,132,046	-	96,406	-	1,035,640	38,675
KDHE Loan Project No. C20-1775-01	3.88%	2009	313,713	2030	296,076	-	12,030	-	284,046	9,174
Total KDHE Loans					1,428,122	-	108,436	-	1,319,686	47,849

CITY OF ANTHONY, KANSAS  
Note - Long-Term Debt  
For the Year Ended December 31, 2012

14. Long Term Debt Schedule (continued)

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Capital Leases:										
Industrial Development Real Estate	5.90%	2005	101,353	2015	\$ 47,703	\$ -	\$ 10,901	\$ -	\$ 36,802	\$ 2,665
Loader, Police Car, Backhoe	4.32%	2007	151,146	2012	2,605	-	2,605	-	-	10
2006 Digger Truck	5.75%	2006	169,789	2012	16,478	-	16,478	-	-	278
Police Garage	4.00%	2007	4,745	2017	3,067	-	462	-	2,605	123
Ford Truck, Flatbead, Water Truck, WW Truck	4.55%	2008	57,973	2013	21,798	-	12,245	-	9,553	741
Wastewater Property Improvements	4.00%	2008	53,699	2022	42,310	-	42,310	-	-	1,692
JD Taxtor Mower, Rotary Cutter	4.00%	2008	58,617	2013	18,825	-	12,424	-	6,401	527
Kerr Addition - K&K Diesel	5.75%	2009	85,000	2014	69,210	-	69,210	-	-	1,088
Mower - ATM72LC	3.75%	2010	28,990	2013	13,302	-	9,913	-	3,389	352
Crown Victoria Police Car	3.50%	2010	20,395	2013	8,758	-	6,976	-	1,782	195
Demolition Project	1.10%	2010	89,785	2025	78,988	-	10,916	-	68,072	839
Fire Truck	3.50%	2012	200,000	2022	-	200,000	9,847	-	190,153	3,998
Police Exploper	3.18%	2012	15,680	2014	-	15,680	-	-	15,680	-
Total Capital Leases					323,044	215,680	204,287	-	334,437	12,508
Total Contractual Indebtedness					\$ 4,795,686	\$ 5,062,430	\$ 965,243	\$ -	\$ 8,892,873	\$ 172,951
Maturities	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	Total	
Principal:										
General obligation bonds	\$ 60,000	\$ 65,000	\$ 65,000	\$ 70,000	\$ 75,000	\$ 385,000	\$ 155,000	\$ -	\$ 875,000	
Temporary Notes	-	4,967,000	-	-	-	-	-	-	4,967,000	
Revenue Bonds	260,000	270,000	280,000	295,000	240,000	-	-	-	1,345,000	
Loan Warrants	10,350	10,350	10,350	10,350	10,350	-	-	-	51,750	
KDHE Loans	112,210	116,115	120,156	124,337	128,664	577,438	90,158	50,608	1,319,686	
Capital Leases	68,620	49,826	44,072	31,219	32,052	108,648	-	-	334,437	
Total Principal	\$ 511,180	\$ 5,478,291	\$ 519,578	\$ 530,906	\$ 486,066	\$ 1,071,086	\$ 245,158	\$ 50,608	\$ 8,892,873	
Interest:										
General obligation bond	35,044	32,824	30,525	28,166	25,581	81,005	11,490	-	244,635	
Temporary Notes	25,265	14,278	-	-	-	-	-	-	39,543	
Revenue Bonds	51,131	41,399	31,274	20,756	9,635	6,700	-	-	160,895	
KDHE Loans	44,075	40,170	36,129	31,947	27,620	68,903	15,861	2,401	267,106	
Capital Leases	10,529	8,607	6,974	5,433	4,021	7,927	-	-	43,491	
Total Interest	\$ 166,044	\$ 137,278	\$ 104,902	\$ 86,302	\$ 66,857	\$ 164,535	\$ 27,351	\$ 2,401	\$ 755,670	

**PETERSON, PETERSON & GOSS, L.C.**

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MARVIN W. NYE, C.P.A.

**INDEPENDENT AUDITOR'S 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**

To the Mayor and City Commission  
City of Anthony, Kansas

We have audited the financial statement of the City of Anthony, Kansas as of and for the year ended December 31, 2012, and have issued our report thereon dated September 3, 2013. The report on the audited financial statement 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 the 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 and Accounting 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**

In planning and performing our audit of the financial statement, we considered City of Anthony, Kansas'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 opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of City of Anthony, Kansas's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Anthony, Kansas's internal control.

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

*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 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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Anthony, Kansas's financial statement is free from 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*.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 3, 2013

**PETERSON, PETERSON & GOSS, L.C.**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133**

To the Mayor and City Commission  
City of Anthony, Kansas

**Report on Compliance for Each Major Federal Program**

We have audited City of Anthony, Kansas's 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 Anthony, Kansas's major federal programs for the year ended December 31, 2012. City of Anthony, Kansas's major federal programs are 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's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Anthony, Kansas's major federal programs 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 Kansas Municipal Audit and Accounting 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 Anthony, Kansas'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 each major federal program. However, our audit does not provide a legal determination of City of Anthony, Kansas's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, City of Anthony, Kansas's, complied, in all material respects, with the types of 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, 2012.

### **Report on Internal Control Over Compliance**

Management of City of Anthony, 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 , City of Anthony, Kansas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 City of Anthony, Kansas'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 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.

September 3, 2013

CITY OF ANTHONY, KANSAS  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2012

**Summary of Auditor's Results**

1. The auditor's report expresses adverse opinion on *U.S. Generally Accepted Accounting Principles* and an unqualified opinion on *Regulatory Basis of Accounting for the State of Kansas* on the financial statement of City of Anthony, Kansas.
2. One significant deficiency was disclosed during the audit of the financial statement.
3. No instances of noncompliance material to the financial statement of City of Anthony, Kansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal awards programs City of Anthony, Kansas expresses an unqualified opinion on all major federal programs.
6. There were no audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was: Water and Waste Disposal Systems for Rural Communities ARRA, 10.781.
8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. City of Anthony, Kansas was determined not to be a low-risk auditee.

CITY OF ANTHONY, KANSAS  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2012

**Findings of Internal Control over Financial Reporting:**

Significant Deficiencies in Internal Controls:

*2012-1*

Criteria:

Client personnel responsible for the accounting and reporting function should possess the necessary skills and knowledge to the prepare the financial statement and related notes in conformity with the cash basis and budget laws of the State of Kansas.

Condition:

Client personnel do not have the necessary skills and knowledge to apply regulatory basis accounting principles in recording the entity's financial transactions or when preparing the financial statement.

Context:

We inquired with personnel about their ability to apply statutory basis accounting principles. Training or additional personnel would be required in order for the City to prepare the financial statement using the Kansa regulatory basis of accounting.

Effect:

The City might not be able to report all transactions of the entity in accordance with the regulatory basis of accounting. Transactions could occur and not be reported timely. Financial reports showing year-to-date transactions of the City could not be available to support all of the activities

Causes:

Due to the limited size of the City, it is not practical to hire fully qualified staff to the extent that they possess all the skills in order to apply the appropriate accounting principles when preparing the financial statement, including relevant note disclosures.

Recommendations:

Procedures should be established and implemented whereby the City personnel continue to obtain training.

Views of responsible officials and planned corrective actions:

The City is aware that employees lack the knowledge and necessary skills to apply regulatory basis accounting principles when recording financial transactions and preparing the financial statement. At this time, it is not economically feasible for the City to hire the accounting personnel necessary to prepare the financial statement, including relevant note disclosures.

**Findings of Internal Control over Major Programs:**

None were reported

CITY OF ANTHONY, KANSAS  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2012

**Summary Schedule of Prior Audit Findings**

<u>Finding Number</u>	<u>Finding</u>	<u>Corrective Action</u>	<u>Status</u>
None to report	None to report	None to report	None to report

City of Anthony, Kansas  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures
U.S. Department of Commerce: Passed-through Kansas Department of Commerce:			
Community Development Block Grants	14.228	N/A	<u>\$ 160,175</u>
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities ARRA	10.781	N/A	4,073,439
US Department of Transportation			
Airport Improvement Program	20.106	3-20-002-09	273,040
Airport Improvement Program	20.106	3-20-002-08	46,208
Airport Improvement Program	20.106	3-20-002-07	<u>25,175</u>
Total US Department of Commerce			<u>344,423</u>
U.S. Department of Health and Environment: Passed-through Kansas Department of Health and Environment			
PSW Supervision Supplemental	66.468	LG 02-00-3702	<u>5,500</u>
Total Federal Awards Expended			<u><u>\$ 4,583,537</u></u>

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

CITY OF ANTHONY, KANSAS  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2012

Note 1 – Basis of Presentation

The schedule of expenditures of federal awards is presented using the accounting practice prescribed by the State of Kansas to demonstrate compliance with cash basis and budget laws of the State of Kansas, the same as the financial statement accompanying this schedule. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.