

CITY OF IOLA, KANSAS

Financial Statement and
Independent Auditors' Report with
Supplemental Information and
Federal Audit Compliance Section

For the Year Ended December 31, 2012

CITY OF IOLA, KANSAS

For the Year Ended December 31, 2012

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CITY OF IOLA, KANSAS

For the Year Ended December 31, 2012

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Iola, Kansas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 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 Iola, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, the 2011 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Report on Regulatory Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget, the individual fund schedules of regulatory basis receipts and expenditures-actual and budget, and the schedule of regulatory basis receipts and disbursements – 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 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 statements. 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2013, on our consideration of the City of Iola, Kansas’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Iola, Kansas’ internal control over financial reporting and compliance.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 10, 2013
Chanute, Kansas

CITY OF IOLA, KANSAS

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

| Funds | Beginning Unencumbered Cash Balances Restated (Note 13) | Receipts | Expenditures | Ending Unencumbered Cash Balances | Add Encumbrances and Accounts Payable | Cash Balance December 31, 2012 |
|---|--|------------------|------------------|---|--|--------------------------------------|
| | | | | | | |
| General Fund | \$ 17,581.38 | \$ 4,556,444.75 | \$ 4,346,655.65 | \$ 227,370.48 | \$ 66,997.93 | \$ 294,368.41 |
| Special Purpose Funds: | | | | | | |
| Industrial | 70,798.58 | 46,856.59 | 3,075.46 | 114,579.71 | - | 114,579.71 |
| Library | 417.43 | 206,860.02 | 207,278.02 | (0.57) | - | (0.57) |
| Special Parks and Recreation | 71,227.81 | 320,850.38 | 361,110.06 | 30,968.13 | 2,500.18 | 33,468.31 |
| Special Alcohol Programs | 606.58 | - | - | 606.58 | - | 606.58 |
| Tourism and Convention | 10,208.51 | 49,869.02 | 51,746.97 | 8,330.56 | - | 8,330.56 |
| Special Highway | 197,828.66 | 147,990.04 | 75,235.52 | 270,583.18 | - | 270,583.18 |
| Equipment Reserve | 4,138.11 | 102,405.39 | - | 106,543.50 | - | 106,543.50 |
| Emergency Rescue | 288,744.46 | 253,927.74 | 335,750.86 | 206,921.34 | 9,384.54 | 216,305.88 |
| Capital Project Funds: | | | | | | |
| Comprehensive Street Program | - | 29,163.67 | 25,728.30 | 3,435.37 | - | 3,435.37 |
| Major Projects | 705,833.77 | 1,056,859.60 | 864,848.81 | 897,844.56 | 44,277.62 | 942,122.18 |
| Housing Grant | 0.62 | 133,092.00 | 127,217.24 | 5,875.38 | - | 5,875.38 |
| Business Funds: | | | | | | |
| Electric Utility | 2,294,351.28 | 10,161,323.38 | 9,980,290.90 | 2,475,383.76 | 583,147.13 | 3,058,530.89 |
| Water Utility | 178,691.08 | 9,237,391.21 | 9,141,898.99 | 274,183.30 | 25,045.58 | 299,228.88 |
| Gas Utility | 466,730.69 | 2,576,566.41 | 2,324,906.81 | 718,390.29 | 95,511.61 | 813,901.90 |
| Solid Waste Utility | 106,927.12 | 240,804.38 | 293,194.46 | 54,537.04 | 2,739.70 | 57,276.74 |
| Wastewater Utility | 11,958.25 | 711,611.57 | 601,972.73 | 121,597.09 | 9,094.92 | 130,692.01 |
| Storm Water Fees | - | 30,278.00 | - | 30,278.00 | - | 30,278.00 |
| Stores | 24,478.86 | 352,644.15 | 347,184.47 | 29,938.54 | 1,665.53 | 31,604.07 |
| Employee Health Insurance | 200,251.70 | 649,540.52 | 531,808.14 | 317,984.08 | - | 317,984.08 |
| Trust Funds: | | | | | | |
| Wm. Green Trust | 46,475.35 | - | 4,118.41 | 42,356.94 | - | 42,356.94 |
| Joseph and Mary Wolf Memorial | 12,161.02 | 3,602.10 | 2,147.36 | 13,615.76 | - | 13,615.76 |
| Total Primary Government (Excluding Agency Funds) | \$ 4,709,411.26 | \$ 30,868,080.92 | \$ 29,626,169.16 | \$ 5,951,323.02 | \$ 840,364.74 | \$ 6,791,687.76 |

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

CITY OF IOLA, KANSAS

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

| | <u>2012</u> |
|---|------------------------|
| Total Cash to be accounted for: | <u>\$ 6,791,687.76</u> |
| Composition of Cash: | |
| Utility Cash on Hand..... | \$ 2,400.00 |
| General Petty Cash on Hand..... | 500.00 |
| Checking Accounts: | |
| General Account | 6,786,359.24 |
| IMP Boat Account | 4,065.56 |
| Housing Grant Account | <u>5,875.38</u> |
| Total Cash | 6,799,200.18 |
| Agency Funds per Schedule 3 | <u>(7,512.42)</u> |
| Total Reporting Entity (Excluding Agency Funds) | <u>\$ 6,791,687.76</u> |

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

CITY OF IOLA, KANSAS

Notes to Financial Statement
For the Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of Iola, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies follow. Note 1 describes how the City's accounting policies differ from generally accepted accounting policies.

Reporting Entity

The City of Iola is a municipal corporation governed by an elected nine-member council. This financial statement presents the City of Iola.

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

Iola Public Library – The City of Iola Library Board operates the City's public library. Acquisition or disposition of real property or bond issuances must be approved by the City. Separate financial statements are prepared and are available at the Iola Public Library.

The Housing Authority – The Housing Authority of the City of Iola, Kansas operates the City's housing projects. The Housing Authority can sue and be sued, and can buy, sell, or lease real property. Bond ordinances must be approved by the City. Separate financial statements are prepared and are available at the Housing Authority of the City of Iola, Kansas.

Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the City of Iola, Kansas, for the year of 2012:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis Fund Types (Continued)

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 fund – 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.)

Trust fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency fund – 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.).

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

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property.

Pension Plan

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System which is a multi-employer, state-wide pension plan. The City’s policy is to fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State of Kansas.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Assessments

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City. Special assessments paid prior to the issuance of general obligation bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of general obligation bonds are recorded as revenue in the bond and interest fund. Further, state statutes require levying additional general ad valorem property taxes in the City bond and interest fund to finance delinquent special assessments receivable.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as revenues. In the financial statement and budget comparison schedules presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the City Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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. During the year ended December 31, 2012, the City amended the General Fund, Tourism and Convention Fund, Stores Fund, and Solid Waste Utility Fund.

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (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 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.

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.

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1 and Schedule 1, the City was in apparent compliance with Kansas cash basis and budget laws.

3. DEPOSITS AND INVESTMENTS

K.S.A 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main branch or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2012.

At year-end, the City's carrying amount of deposits was \$6,796,300.18 and the bank balance was \$6,793,238.34. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$255,875.38 was covered by FDIC insurance, and \$6,537,362.96 was collateralized with securities held by the pledging financial institution's agents in the City's name.

4. LONG-TERM DEBT COMMITMENTS

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

| Issue | Interest Rates | Date of Issue | Original Amount of Issue | Date of Final Maturity | Balance Beginning of Year | Additions | Reductions/ Payments | Balance End of Year | Interest Paid |
|---|----------------|--------------------|--------------------------|------------------------|---------------------------|------------------------|--------------------------|------------------------|----------------------|
| General Obligation Bonds | | | | | | | | | |
| Paid by Utility Revenues: | | | | | | | | | |
| Series 2012 | 1.5-2.75% | September 27, 2012 | \$ 7,550,000.00 | August 1, 2025 | \$ - | \$ 7,550,000.00 | \$ (230,000.00) | \$ 7,320,000.00 | \$ 80,126.85 |
| Revolving Loans | | | | | | | | | |
| Kansas Water Pollution Control | 2.51% | September 1, 2008 | 2,727,942.00 | September 1, 2028 | 2,327,941.02 | - | (115,473.65) | 2,212,467.37 | 57,711.25 |
| Kansas Public Water Supply 2281 | 4.01% | August 1, 2005 | 10,000,000.00 | August 1, 2025 | 7,564,013.63 | - | (7,564,013.63) | - | 148,288.29 |
| Total Long-Term Debt Commitments | | | | | \$ 9,891,954.65 | \$ 7,550,000.00 | \$ (7,909,487.28) | \$ 9,532,467.37 | \$ 286,126.39 |

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

| Issue | 2013 | 2014 | 2015 | 2016 | 2017 | 2018-2022 | 2023-2027 | 2028-2032 | Total |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------|------------------------|---------------------|-------------------------|
| Principal | | | | | | | | | |
| General Obligation Bonds | | | | | | | | | |
| Paid by Utility Revenues: | | | | | | | | | |
| Series 2012 | \$ 525,000.00 | \$ 535,000.00 | \$ 550,000.00 | \$ 560,000.00 | \$ 565,000.00 | \$ 2,995,000.00 | \$ 1,590,000.00 | \$ - | \$ 7,320,000.00 |
| Revolving Loans | | | | | | | | | |
| Kansas Water Pollution Control | 118,390.24 | 121,380.47 | 124,446.24 | 127,589.45 | 130,812.03 | 705,320.92 | 799,008.74 | 85,519.28 | 2,212,467.37 |
| Total Principal Payments | 643,390.24 | 656,380.47 | 674,446.24 | 687,589.45 | 695,812.03 | 3,700,320.92 | 2,389,008.74 | 85,519.28 | 9,532,467.37 |
| Interest | | | | | | | | | |
| General Obligation Bonds | | | | | | | | | |
| Paid by Utility Revenues: | | | | | | | | | |
| Series 2012 | 151,322.50 | 140,822.50 | 130,122.50 | 119,122.50 | 110,722.50 | 398,467.50 | 74,527.50 | - | 1,125,107.50 |
| Revolving Loans | | | | | | | | | |
| Kansas Water Pollution Control | 54,794.66 | 51,804.43 | 48,738.66 | 45,595.45 | 42,372.87 | 160,603.58 | 66,915.76 | 1,073.17 | 471,898.58 |
| Total Interest Payments | 206,117.16 | 192,626.93 | 178,861.16 | 164,717.95 | 153,095.37 | 559,071.08 | 141,443.26 | 1,073.17 | 1,597,006.08 |
| Total Principal and Interest | \$ 849,507.40 | \$ 849,007.40 | \$ 853,307.40 | \$ 852,307.40 | \$ 848,907.40 | \$ 4,259,392.00 | \$ 2,530,452.00 | \$ 86,592.45 | \$ 11,129,473.45 |

5. INDUSTRIAL REVENUE BONDS

The City has entered into various agreements to induce businesses to locate or expand operations in Iola, Kansas. In connection therewith, the City has issued industrial revenue bonds (IRB's) which require the businesses to make lease payments to trust accounts sufficient to pay debt service on the IRB's. The City is under no obligation to pay the IRB debt, which is to be paid from the lease payments made by the related businesses. At December 31, 2012, there were seven industrial revenue bond issues with principal balances due totaling \$4,358,125.11.

6. DEFINED BENEFIT PENSION PLAN

Plan description. The (non-school municipality) 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 (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-419 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. K.S.A. 74-4975 establishes. 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.

7. ECONOMIC DEPENDENCY

During 2012, the City collected 16.04% of its electric utility revenues and 17.19% of its gas utility revenues from Gates Rubber Company. The City also collected 14.71% of its electric utility revenues and 17.04% of its gas utility revenues from Russell Stover Candies.

8. OTHER POST EMPLOYMENT BENEFITS

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

Under the consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the Federal government for this coverage. The Premium is paid in full by the insured. There is no cost to the City under this program.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

The City has established a Health Insurance Fund. The purpose of this fund is to provide for an employee welfare benefit plan for health insurance. Contributions from eligible employees and the City are deposited in the name of the plan, subject to withdrawal for purposes of paying approved claims and expenses. The City has contracted with Blue Cross Blue Shield of Kansas to be the claims supervisor. The supervisor reviews all claims for allowability and issues monthly reports to the City. The City has a stop-gap policy which pays any aggregate claims over \$50,000.00.

10. COMPENSATED ABSENCES

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

| <u>Years of Employment</u> | <u>Hours Earned Per Pay Period</u> |
|----------------------------|--|
| 1 - 9 | 3.08 |
| 10 - 19 | 4.62 |
| 20 and Over | 6.15 |

An employee will be allowed to carryover vacation leave from one employment anniversary year period to the next, to a maximum amount of 200 hours. Any accumulation in excess of the maximum must be used or it will be forfeited. Upon termination of employment, an employee will be paid for accrued but unused vacation time.

Regular employees earn and accumulate sick leave from the beginning of employment at the rate of one day per month worked. Sick leave may be accumulated to a maximum of 120 days. Any unused sick leave at date of termination is lost, except upon retirement, 50% of unused sick leave is paid out.

The City accrues a liability for compensated absences which meet the following criteria:

1. The City’s obligation relating to employees’ rights to receive compensation for future absences is attributable to employees’ services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and, is material.

In accordance with the above criteria, the City has estimated a liability for annual leave which has been earned, but not taken, by City employees. The estimated liability for accrued annual leave at December 31, 2012, was \$212,754.13. The City has not estimated a liability for sick leave earned, but not taken, by City employees, as the amounts cannot be reasonably estimated.

11. CAPITAL PROJECTS

At year end, capital projects authorizations, with approved change orders, compared with expenditures from inception are as follows:

| <u>PROJECT NAME</u> | <u>EXPENDITURES TO DATE</u> | <u>PROJECT AUTHORIZATION</u> | <u>EXPECTED COMPLETION DATE</u> |
|------------------------------|---------------------------------|----------------------------------|---|
| Rail Trail | \$ 490,620.18 | \$ 519,443.00 | Complete |
| Energy Facilities Upgrade | 182,650.92 | 229,868.00 | Complete |
| Douglas Street Bridge | 15,928.00 | 17,000.00 | Complete |
| Housing Rehabilitation Grant | 318,052.00 | 400,000.00 | 2013 |

12. INTERFUND TRANSFERS

Operating transfers were as follows:

| <u>From Fund:</u> | <u>To Fund:</u> | <u>Statutory Authority</u> | <u>Amount</u> |
|------------------------------|------------------------------|----------------------------|---------------|
| General | Equipment Reserve | K.S.A. 12-1,117 | \$ 97,333.00 |
| Special Parks and Recreation | Equipment Reserve | K.S.A. 12-1,117 | 5,000.00 |
| Major Projects | Comprehensive Street Program | K.S.A. 12-1,118 | 25,728.30 |
| Electric Utility | General | K.S.A. 12-825d | 1,158,000.00 |
| Electric Utility | Special Parks and Recreation | K.S.A. 12-825d | 176,000.00 |
| Electric Utility | Stores | K.S.A. 12-825d | 33,334.00 |
| Wastewater Utility | General | K.S.A. 12-825d | 84,000.50 |
| Wastewater Utility | Stores | K.S.A. 12-825d | 33,333.00 |
| Solid Waste Utility | General | K.S.A. 12-825d | 36,000.00 |
| Gas Utility | General | K.S.A. 12-825d | 540,000.00 |
| Gas Utility | Stores | K.S.A. 12-825d | 33,333.00 |

13. PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2012, the City did an analysis of their expenses and it was discovered the City did not include all payables and encumbrances in the December 31, 2011 financial statement. After completion of the review it, was determined that the following amounts had not been properly reported as of December 31, 2011. The effects on the financial statement are as follows:

| | |
|--|------------------------|
| Unencumbered Cash, As Previously Reported | \$ 5,431,273.05 |
| Additional Gas Fund Payables Identified | (86,817.90) |
| Additional Electric Fund Payables Identified | (635,043.89) |
| Net Assets, December 31, 2011, As Restated | <u>\$ 4,709,411.26</u> |

14. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statement. However, the City has, after year end, obtained a grant from U.S. Environment Protection Agency to rehabilitate the existing wastewater collection system, which requires the City provide \$628,364.00 of the funding up front. The City obtained a loan through Kansas Department of Health and Environment in order to finance the project.

SUPPLEMENTAL INFORMATION

CITY OF IOLA, KANSAS

Summary of Expenditures - Actual and Budget
Regulatory Basis

(Budgeted Funds Only)

For the Year Ended December 31, 2012

| Funds | Certified Budget | Adjustments for | | Total Budget for Comparison | Expenditures | | Variance - Over (Under) |
|------------------------------|---------------------|------------------------------|-----------------|-----------------------------------|--------------------------------------|--------|-------------------------------|
| | | Qualifying Budget Credits | Budget Credits | | Charged to Current Year Budget | Budget | |
| General Fund | \$ 4,525,393.00 | \$ 156,287.72 | \$ 4,681,680.72 | \$ 4,346,655.65 | \$ (335,025.07) | | |
| Special Purpose Funds: | | | | | | | |
| Industrial | 72,113.00 | - | 72,113.00 | 3,075.46 | (69,037.54) | | |
| Library | 211,601.00 | - | 211,601.00 | 207,278.02 | (4,322.98) | | |
| Special Parks and Recreation | 423,216.00 | - | 423,216.00 | 361,110.06 | (62,105.94) | | |
| Tourism and Convention | 52,060.00 | - | 52,060.00 | 51,746.97 | (313.03) | | |
| Equipment Reserve | 83,375.00 | - | 83,375.00 | - | (83,375.00) | | |
| Special Highway | 250,000.00 | - | 250,000.00 | 75,235.52 | (174,764.48) | | |
| Emergency Rescue | 444,181.00 | - | 444,181.00 | 335,750.86 | (108,430.14) | | |
| Business Funds: | | | | | | | |
| Electric Utility | 10,530,262.00 | - | 10,530,262.00 | 9,980,290.90 | (549,971.10) | | |
| Water Utility | 1,680,614.00 | 7,495,878.55 | 9,176,492.55 | 9,141,898.99 | (34,593.56) | | |
| Gas Utility | 4,495,300.00 | - | 4,495,300.00 | 2,324,906.81 | (2,170,393.19) | | |
| Solid Waste Utility | 295,076.00 | - | 295,076.00 | 293,194.46 | (1,881.54) | | |
| Wastewater Utility | 2,920,288.00 | - | 2,920,288.00 | 601,972.73 | (2,318,315.27) | | |
| Stores | 355,000.00 | - | 355,000.00 | 347,184.47 | (7,815.53) | | |
| Employee Health Insurance | 613,000.00 | - | 613,000.00 | 531,808.14 | (81,191.86) | | |

CITY OF IOLA, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | |
|---|---------------|---------------|-------------------------------|
| | Actual | Budget | Variance - Over (Under) |
| Receipts | | | |
| Taxes and Shared Revenue | | | |
| Ad Valorem Property Tax | \$ 960,429.62 | \$ 970,226.00 | \$ (9,796.38) |
| Delinquent Tax | 26,761.44 | 26,761.00 | 0.44 |
| Motor Vehicle Tax | 138,271.87 | 138,272.00 | (0.13) |
| Rental Motor Vehicle Tax | 229.72 | - | 229.72 |
| Recreational Vehicle Tax | 1,510.34 | 1,510.00 | 0.34 |
| 16/20M Truck Tax | 2,622.53 | 2,623.00 | (0.47) |
| Payments in Lieu of Taxes | 4,373.30 | 4,373.00 | 0.30 |
| County Sales Tax | 890,494.05 | 888,145.00 | 2,349.05 |
| Franchise Taxes | 90,171.47 | 93,000.00 | (2,828.53) |
| Special Assessments | 2,073.76 | 9,742.00 | (7,668.24) |
| Intergovernmental | | | |
| Highway Connecting Links | 21,326.66 | 21,550.00 | (223.34) |
| Local Alcoholic Liquor Tax | 10,215.28 | 7,882.00 | 2,333.28 |
| Federal Grants - FEMA | 775.16 | - | 775.16 |
| Federal Grants - Click Step | 2,829.41 | - | 2,829.41 |
| Federal Grants - Bunker Gear | 49,868.00 | - | 49,868.00 |
| State Grants - FEMA | 101.99 | - | 101.99 |
| Licenses and Permits | | | |
| Licenses, Permits & Fees | 18,285.50 | 20,000.00 | (1,714.50) |
| Charges for Services | | | |
| Storm Water Utility | 42,348.30 | 42,350.00 | (1.70) |
| Late Fee Penalties | 78,887.64 | 75,000.00 | 3,887.64 |
| Dog Tags | 3,411.00 | 3,332.00 | 79.00 |
| Impound Fees | 3,895.00 | - | 3,895.00 |
| Cemetery Lot Sales | 10,000.00 | 25,800.00 | (15,800.00) |
| Cemetery Grave Openings | 17,975.00 | - | 17,975.00 |
| Rural Fire Contracts | 68,058.56 | 65,000.00 | 3,058.56 |
| Fines, Forfeitures and Penalties | | | |
| Fines | 109,607.97 | 106,000.00 | 3,607.97 |
| Use of Money and Property | | | |
| Interest Income | 5,030.62 | 5,500.00 | (469.38) |
| Rental Revenue | 8,408.21 | 7,500.00 | 908.21 |

CITY OF IOLA, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------|---------------------|------------------------|-------------------------------|
| | Actual | Budget | |
| Receipts (Continued) | | | |
| Other Revenues | | | |
| Donations | \$ 3,984.00 | \$ 50,000.00 | \$ (46,016.00) |
| Miscellaneous | 10,210.13 | 85,000.00 | (74,789.87) |
| Reimbursed Expense | 156,287.72 | - | 156,287.72 |
| Operating Transfers from: | | | |
| Electric Utility Fund | 1,158,000.00 | 1,158,000.00 | - |
| Wastewater Utility Fund | 84,000.50 | 84,000.00 | 0.50 |
| Solid Waste Utility Fund | 36,000.00 | 36,000.00 | - |
| Gas Utility Fund | 540,000.00 | 540,000.00 | - |
| Total Receipts | <u>4,556,444.75</u> | <u>\$ 4,467,566.00</u> | <u>\$ 88,878.75</u> |
| Expenditures | | | |
| City Clerk Department | | | |
| Personal Services | 290,751.43 | \$ 338,265.00 | \$ (47,513.57) |
| Contractual Services | 90,753.21 | 80,900.00 | 9,853.21 |
| Commodities | 37,341.08 | 49,000.00 | (11,658.92) |
| Capital Outlay | 999.00 | 2,500.00 | (1,501.00) |
| Police Department | | | |
| Personal Services | 889,890.34 | 923,272.00 | (33,381.66) |
| Contractual Services | 61,728.93 | 82,285.00 | (20,556.07) |
| Commodities | 56,115.07 | 56,900.00 | (784.93) |
| Capital Outlay | 49,208.39 | 53,600.00 | (4,391.61) |
| Street and Alley Department | | | |
| Personal Services | 375,614.54 | 404,761.00 | (29,146.46) |
| Contractual Services | 31,138.09 | 61,450.00 | (30,311.91) |
| Commodities | 263,207.32 | 286,500.00 | (23,292.68) |
| Capital Outlay | 18,457.37 | 63,500.00 | (45,042.63) |
| Parks Department | | | |
| Personal Services | 293,233.11 | 320,521.00 | (27,287.89) |
| Contractual Services | 10,358.99 | 16,575.00 | (6,216.01) |
| Commodities | 30,095.25 | 48,500.00 | (18,404.75) |
| Fire Department | | | |
| Personal Services | 770,681.23 | 825,945.00 | (55,263.77) |
| Contractual Services | 22,485.93 | 28,350.00 | (5,864.07) |
| Commodities | 76,283.37 | 30,000.00 | 46,283.37 |
| Capital Outlay | - | 25,000.00 | (25,000.00) |

CITY OF IOLA, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|----------------------|------------------------|-------------------------------|
| | Actual | Budget | |
| Expenditures (Continued) | | | |
| City Administrator Department | | | |
| Personal Services | \$ 265,826.13 | \$ 255,176.00 | \$ 10,650.13 |
| Contractual Services | 21,383.85 | 24,150.00 | (2,766.15) |
| Commodities | 9,377.22 | 14,500.00 | (5,122.78) |
| Capital Outlay | 1,364.00 | 1,500.00 | (136.00) |
| Code Enforcement Department | | | |
| Personal Services | 103,139.64 | 116,490.00 | (13,350.36) |
| Contractual Services | 43,623.00 | 55,323.00 | (11,700.00) |
| Commodities | 21,835.14 | 22,000.00 | (164.86) |
| Capital Outlay | 4,590.88 | 5,000.00 | (409.12) |
| City Council Department | | | |
| Contractual Services | 92,625.39 | 93,475.00 | (849.61) |
| Commodities | 433.40 | 150.00 | 283.40 |
| Municipal Court Department | | | |
| Personal Services | 116,693.10 | 122,172.00 | (5,478.90) |
| Contractual Services | 17,361.38 | 14,300.00 | 3,061.38 |
| Commodities | 9,567.50 | 6,000.00 | 3,567.50 |
| 911 Dispatch Department | | | |
| Contractual Services | 223.05 | - | 223.05 |
| Library Department | | | |
| Personal Services | 170,210.67 | - | 170,210.67 |
| Project Care | | | |
| Commodities | 2,725.65 | - | 2,725.65 |
| Operating Transfers to | | | |
| Equipment Reserve | 97,333.00 | 97,333.00 | - |
| Total Certified Budget | | 4,525,393.00 | (178,737.35) |
| Adjustments for Qualifying | | | |
| Budget Credits | | 156,287.72 | (156,287.72) |
| Total Expenditures | 4,346,655.65 | <u>\$ 4,681,680.72</u> | <u>\$ (335,025.07)</u> |
| Receipts Over(Under) Expenditures | 209,789.10 | | |
| Unencumbered Cash, Beginning | <u>17,581.38</u> | | |
| Unencumbered Cash, Ending | <u>\$ 227,370.48</u> | | |

CITY OF IOLA, KANSAS
INDUSTRIAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|----------------------|---------------------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Taxes and Shared Revenue | | | |
| Ad Valorem Property Tax | \$ 31,336.37 | \$ 32,944.00 | \$ (1,607.63) |
| Delinquent Tax | 830.98 | - | 830.98 |
| Motor Vehicle Tax | 4,482.97 | 4,678.00 | (195.03) |
| Rental Motor Vehicle Tax | 7.44 | - | 7.44 |
| Recreational Vehicle Tax | 48.96 | 58.00 | (9.04) |
| 16/20M Truck Tax | 84.83 | 78.00 | 6.83 |
| Payments in Lieu of Taxes | 142.69 | - | 142.69 |
| Use of Money and Property | | | |
| Rental Revenue | 9,732.75 | - | 9,732.75 |
| Interest Income | 189.60 | - | 189.60 |
| Total Receipts | <u>46,856.59</u> | <u>\$ 37,758.00</u> | <u>\$ 9,098.59</u> |
| Expenditures | | | |
| General Government | | | |
| Contractual Services | 1,781.96 | \$ 10,800.00 | \$ (9,018.04) |
| Commodities | 1,293.50 | 61,000.00 | (59,706.50) |
| Revitalization Rebates | - | 313.00 | (313.00) |
| Total Expenditures | <u>3,075.46</u> | <u>\$ 72,113.00</u> | <u>\$ (69,037.54)</u> |
| Receipts Over(Under) Expenditures | 43,781.13 | | |
| Unencumbered Cash, Beginning | <u>70,798.58</u> | | |
| Unencumbered Cash, Ending | <u>\$ 114,579.71</u> | | |

CITY OF IOLA, KANSAS
LIBRARY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------|----------------------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Taxes and Shared Revenue | | | |
| Ad Valorem Property Tax | \$ 176,151.92 | \$ 185,094.00 | \$ (8,942.08) |
| Delinquent Tax | 4,671.28 | - | 4,671.28 |
| Motor Vehicle Tax | 24,454.81 | 25,353.00 | (898.19) |
| Rental Motor Vehicle Tax | 40.84 | - | 40.84 |
| Recreational Vehicle Tax | 267.10 | 316.00 | (48.90) |
| 16/20M Truck Tax | 471.96 | 420.00 | 51.96 |
| Payments in Lieu of Taxes | 802.11 | - | 802.11 |
| Total Receipts | <u>206,860.02</u> | <u>\$ 211,183.00</u> | <u>\$ (4,322.98)</u> |
| Expenditures | | | |
| Culture and Recreation | | | |
| Library Appropriations | 207,278.02 | \$ 209,824.00 | \$ (2,545.98) |
| Revitalization Rebates | - | 1,777.00 | (1,777.00) |
| Total Expenditures | <u>207,278.02</u> | <u>\$ 211,601.00</u> | <u>\$ (4,322.98)</u> |
| Receipts Over(Under) Expenditures | (418.00) | | |
| Unencumbered Cash, Beginning | <u>417.43</u> | | |
| Unencumbered Cash, Ending | <u>\$ (0.57)</u> | | |

CITY OF IOLA, KANSAS
SPECIAL PARKS AND RECREATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|---------------------|----------------------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Taxes and Shared Revenue | | | |
| Local Alcoholic Liquor Tax | \$ 10,215.25 | \$ 8,365.00 | \$ 1,850.25 |
| Local Grants | 4,277.50 | - | 4,277.50 |
| Charges for Services | | | |
| Program Fees | 128,305.01 | 138,228.00 | (9,922.99) |
| Use of Money and Property | | | |
| Rental Revenue | 669.62 | - | 669.62 |
| Other Receipts | | | |
| Donations | 1,383.00 | - | 1,383.00 |
| Operating Transfers from | | | |
| Electric Utility Fund | <u>176,000.00</u> | <u>220,000.00</u> | <u>(44,000.00)</u> |
| Total Receipts | <u>320,850.38</u> | <u>\$ 366,593.00</u> | <u>\$ (45,742.62)</u> |
| Expenditures | | | |
| Culture and Recreation | | | |
| Personal Services | 228,950.53 | \$ 273,616.00 | \$ (44,665.47) |
| Contractual Services | 25,048.56 | 24,300.00 | 748.56 |
| Commodities | 102,110.97 | 120,300.00 | (18,189.03) |
| Operating Transfer to | | | |
| Equipment Reserve Fund | <u>5,000.00</u> | <u>5,000.00</u> | <u>-</u> |
| Total Expenditures | <u>361,110.06</u> | <u>\$ 423,216.00</u> | <u>\$ (62,105.94)</u> |
| Receipts Over(Under) Expenditures | (40,259.68) | | |
| Unencumbered Cash, Beginning | <u>71,227.81</u> | | |
| Unencumbered Cash, Ending | <u>\$ 30,968.13</u> | | |

CITY OF IOLA, KANSAS
SPECIAL ALCOHOL PROGRAMS FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|--------------|--------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Taxes and Shared Revenue | | | |
| Local Alcoholic Liquor Tax | \$ - | \$ - | \$ - |
| Total Receipts | - | \$ - | \$ - |
| Expenditures | | | |
| Culture and Recreation | | | |
| Alcohol Programs | - | \$ - | \$ - |
| Total Expenditures | - | \$ - | \$ - |
| Receipts Over(Under) Expenditures | - | | |
| Unencumbered Cash, Beginning | 606.58 | | |
| Unencumbered Cash, Ending | \$ 606.58 | | |

CITY OF IOLA, KANSAS
TOURISM AND CONVENTION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|--------------------|---------------------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Taxes and Shared Revenue | | | |
| Transient Guest Tax | \$ 49,839.70 | \$ 49,840.00 | \$ (0.30) |
| Use of Money and Property | | | |
| Interest Income | 29.32 | - | 29.32 |
| Total Receipts | <u>49,869.02</u> | <u>\$ 49,840.00</u> | <u>\$ 29.02</u> |
| Expenditures | | | |
| General Government | | | |
| Contractual Services | 51,746.97 | \$ 52,060.00 | \$ (313.03) |
| Total Expenditures | <u>51,746.97</u> | <u>\$ 52,060.00</u> | <u>\$ (313.03)</u> |
| Receipts Over(Under) Expenditures | (1,877.95) | | |
| Unencumbered Cash, Beginning | <u>10,208.51</u> | | |
| Unencumbered Cash, Ending | <u>\$ 8,330.56</u> | | |

CITY OF IOLA, KANSAS
SPECIAL HIGHWAY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|----------------------|----------------------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Taxes and Shared Revenue | | | |
| Motor Fuel Tax | \$ 147,548.94 | \$ 157,800.00 | \$ (10,251.06) |
| Use of Money and Property | | | |
| Interest Income | 441.10 | - | 441.10 |
| Total Receipts | <u>147,990.04</u> | <u>\$ 157,800.00</u> | <u>\$ (9,809.96)</u> |
| Expenditures | | | |
| General Government | | | |
| Contractual Services | <u>75,235.52</u> | <u>\$ 250,000.00</u> | <u>\$ (174,764.48)</u> |
| Total Expenditures | <u>75,235.52</u> | <u>\$ 250,000.00</u> | <u>\$ (174,764.48)</u> |
| Receipts Over(Under) Expenditures | 72,754.52 | | |
| Unencumbered Cash, Beginning | <u>197,828.66</u> | | |
| Unencumbered Cash, Ending | <u>\$ 270,583.18</u> | | |

CITY OF IOLA, KANSAS
EQUIPMENT RESERVE FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|---------------|--------------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Use of Money and Property | | | |
| Interest Income | \$ 72.39 | \$ - | \$ 72.39 |
| Operating Transfers from: | | | |
| General Fund | 97,333.00 | 97,333.00 | - |
| Special Parks and Recreation Fund | 5,000.00 | - | 5,000.00 |
| | | | |
| Total Receipts | 102,405.39 | \$ 97,333.00 | \$ 5,072.39 |
| Expenditures | | | |
| General Government | | | |
| Commodities | - | \$ 83,375.00 | \$ (83,375.00) |
| | | | |
| Total Expenditures | - | \$ 83,375.00 | \$ (83,375.00) |
| Receipts Over(Under) Expenditures | 102,405.39 | | |
| Unencumbered Cash, Beginning | 4,138.11 | | |
| Unencumbered Cash, Ending | \$ 106,543.50 | | |

CITY OF IOLA, KANSAS
EMERGENCY RESCUE FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|---------------|---------------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Taxes and Shared Revenue | | | |
| Allen County Appropriations | \$ 80,000.00 | \$ 80,000.00 | \$ - |
| Intergovernmental | | | |
| Federal Grants - Bunker Gear | 6,398.00 | - | 6,398.00 |
| Federal Grants - Safer | 6,317.08 | - | 6,317.08 |
| Charges for Services | | | |
| Transports | 161,212.66 | 300,000.00 | (138,787.34) |
| Total Receipts | 253,927.74 | \$ 380,000.00 | \$ (126,072.26) |
| Expenditures | | | |
| Emergency Services | | | |
| Personal Services | 292,165.11 | \$ 314,681.00 | \$ (22,515.89) |
| Contractual Services | 21,137.82 | 41,000.00 | (19,862.18) |
| Commodities | 16,352.00 | 22,500.00 | (6,148.00) |
| Capital Outlay | 6,095.93 | 66,000.00 | (59,904.07) |
| Total Expenditures | 335,750.86 | \$ 444,181.00 | \$ (108,430.14) |
| Receipts Over(Under) Expenditures | (81,823.12) | | |
| Unencumbered Cash, Beginning | 288,744.46 | | |
| Unencumbered Cash, Ending | \$ 206,921.34 | | |

CITY OF IOLA, KANSAS
COMPREHENSIVE STREET PROGRAM FUND
 Schedule of Receipts and Expenditures - Actual
 Regulatory Basis
 For the Year Ended December 31, 2012

| | Current Year Actual |
|---|---------------------------|
| Receipts | |
| Other Revenues | |
| Reimbursed Expense | \$ 3,435.37 |
| Operating Transfers from Major Projects Fund | 25,728.30 |
| Total Receipts | 29,163.67 |
| Expenditures | |
| Capital Projects | |
| Contractual Services | 25,728.30 |
| Total Expenditures | 25,728.30 |
| Receipts Over(Under) Expenditures | 3,435.37 |
| Unencumbered Cash, Beginning | - |
| Unencumbered Cash, Ending | \$ 3,435.37 |

CITY OF IOLA, KANSAS
MAJOR PROJECTS FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2012

| | <u>Current Year Actual</u> |
|------------------------------------|------------------------------------|
| Receipts | |
| Taxes and Shared Revenue | |
| Federal Grants - Rail Trail | \$ 324,133.26 |
| Federal Grants - Electric Upgrades | 39,333.28 |
| County Sales Tax | 613,117.31 |
| Other Revenue | |
| Reimbursed Expense | <u>80,275.75</u> |
| Total Receipts | <u>1,056,859.60</u> |
| Expenditures | |
| Capital Projects | |
| Contractual Services | 839,120.51 |
| Operating Transfers to | |
| Comprehensive Street Program Fund | <u>25,728.30</u> |
| Total Expenditures | <u>864,848.81</u> |
| Receipts Over(Under) Expenditures | 192,010.79 |
| Unencumbered Cash, Beginning | <u>705,833.77</u> |
| Unencumbered Cash, Ending | <u><u>\$ 897,844.56</u></u> |

CITY OF IOLA, KANSAS
HOUSING GRANT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2012

| | <u>Current Year Actual</u> |
|-----------------------------------|------------------------------------|
| Receipts | |
| Intergovernmental | |
| Federal Grants | \$ 127,217.00 |
| Other Revenues | |
| Receipts from Owners | <u>5,875.00</u> |
| Total Receipts | <u>133,092.00</u> |
| Expenditures | |
| Capital Projects | |
| Contractual Services | <u>127,217.24</u> |
| Total Expenditures | <u>127,217.24</u> |
| Receipts Over(Under) Expenditures | 5,874.76 |
| Unencumbered Cash, Beginning | <u>0.62</u> |
| Unencumbered Cash, Ending | <u><u>\$ 5,875.38</u></u> |

CITY OF IOLA, KANSAS
ELECTRIC UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|------------------------|-------------------------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Charges for Services | | | |
| Utility Revenue | \$ 9,940,586.97 | \$ 10,658,000.00 | \$ (717,413.03) |
| Connection Fees | 7,265.00 | - | 7,265.00 |
| Meter Installations | 1,775.00 | - | 1,775.00 |
| Use of Money and Property | | | |
| Interest Income | 4,643.25 | 20,000.00 | (15,356.75) |
| Rentals Crops and Poles | - | 10,000.00 | (10,000.00) |
| Other Revenues | | | |
| Miscellaneous | 207,053.16 | 80,000.00 | 127,053.16 |
| Total Receipts | <u>10,161,323.38</u> | <u>\$ 10,768,000.00</u> | <u>\$ (606,676.62)</u> |
| Expenditures | | | |
| Generation and Distribution | | | |
| Personal Services | 781,856.72 | \$ 765,228.00 | \$ 16,628.72 |
| Contractual Services | 7,169,010.21 | 7,816,400.00 | (647,389.79) |
| Commodities | 224,106.81 | 418,300.00 | (194,193.19) |
| Capital Outlay | 437,983.16 | 219,000.00 | 218,983.16 |
| Operating Transfers to: | | | |
| General Fund | 1,158,000.00 | 1,058,000.00 | 100,000.00 |
| Stores Fund | 33,334.00 | 33,334.00 | - |
| Special Parks and Recreation Fund | 176,000.00 | 220,000.00 | (44,000.00) |
| Total Expenditures | <u>9,980,290.90</u> | <u>\$ 10,530,262.00</u> | <u>\$ (549,971.10)</u> |
| Receipts Over(Under) Expenditures | 181,032.48 | | |
| Unencumbered Cash, Beginning | <u>2,294,351.28</u> | | |
| Unencumbered Cash, Ending | <u>\$ 2,475,383.76</u> | | |

CITY OF IOLA, KANSAS
WATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|----------------------|------------------------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Charges for Services | | | |
| Utility Revenues | \$ 1,703,877.10 | \$ 1,776,500.00 | \$ (72,622.90) |
| Connection Fee | 5,235.00 | - | 5,235.00 |
| Late Fees | 29,110.00 | 25,000.00 | 4,110.00 |
| Use of Money and Property | | | |
| Bond Proceeds | 7,495,878.55 | - | 7,495,878.55 |
| Other Revenues | | | |
| Miscellaneous | 3,290.56 | 3,000.00 | 290.56 |
| Reimbursed Expense | - | 5,000.00 | (5,000.00) |
| Total Receipts | <u>9,237,391.21</u> | <u>\$ 1,809,500.00</u> | <u>\$ 7,427,891.21</u> |
| Expenditures | | | |
| Treatment and Distribution | | | |
| Personal Services | 479,357.43 | \$ 403,776.00 | \$ 75,581.43 |
| Contractual Services | 176,104.90 | 192,800.00 | (16,695.10) |
| Commodities | 307,864.40 | 290,500.00 | 17,364.40 |
| Capital Outlay | 9,445.00 | 62,500.00 | (53,055.00) |
| Debt Service | | | |
| Principal | 7,794,013.63 | 731,038.00 | 7,062,975.63 |
| Interest | 228,415.14 | - | 228,415.14 |
| Bond Issuance Costs | 146,698.49 | - | 146,698.49 |
| Total Certified Budget | | <u>1,680,614.00</u> | <u>7,461,284.99</u> |
| Adjustments for Qualifying | | | |
| Budget Credits | | <u>7,495,878.55</u> | <u>(7,495,878.55)</u> |
| Total Expenditures | <u>9,141,898.99</u> | <u>\$ 9,176,492.55</u> | <u>\$ (34,593.56)</u> |
| Receipts Over(Under) Expenditures | 95,492.22 | | |
| Unencumbered Cash, Beginning | <u>178,691.08</u> | | |
| Unencumbered Cash, Ending | <u>\$ 274,183.30</u> | | |

CITY OF IOLA, KANSAS
GAS UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|----------------------|------------------------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Charges for Services | | | |
| Utility Revenues | \$ 2,570,260.41 | \$ 4,500,000.00 | \$ (1,929,739.59) |
| Connection Fee | 4,820.00 | 6,000.00 | (1,180.00) |
| Use of Money and Property | | | |
| Interest Income | - | 10,000.00 | (10,000.00) |
| Other Revenues | | | |
| Miscellaneous | 1,486.00 | 1,000.00 | 486.00 |
| Total Receipts | <u>2,576,566.41</u> | <u>\$ 4,517,000.00</u> | <u>\$ (1,940,433.59)</u> |
| Expenditures | | | |
| Operating Expenditures | | | |
| Personal Services | 240,420.38 | \$ 280,767.00 | \$ (40,346.62) |
| Contractual Services | 1,438,409.91 | 3,549,150.00 | (2,110,740.09) |
| Commodities | 53,853.16 | 64,050.00 | (10,196.84) |
| Capital Outlay | 18,890.36 | 28,000.00 | (9,109.64) |
| Operating Transfers to: | | | |
| General Fund | 540,000.00 | 540,000.00 | - |
| Stores Fund | 33,333.00 | 33,333.00 | - |
| Total Expenditures | <u>2,324,906.81</u> | <u>\$ 4,495,300.00</u> | <u>\$ (2,170,393.19)</u> |
| Receipts Over(Under) Expenditures | 251,659.60 | | |
| Unencumbered Cash, Beginning | <u>466,730.69</u> | | |
| Unencumbered Cash, Ending | <u>\$ 718,390.29</u> | | |

CITY OF IOLA, KANSAS
SOLID WASTE UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | |
|-----------------------------------|---------------|---------------|-------------------------------|
| | Actual | Budget | Variance - Over (Under) |
| Receipts | | | |
| Charges for Services | | | |
| Utility Revenues | \$ 240,612.48 | \$ 277,000.00 | \$ (36,387.52) |
| Use of Money and Property | | | |
| Interest Income | 191.90 | - | 191.90 |
| | | | |
| Total Receipts | 240,804.38 | \$ 277,000.00 | \$ (36,195.62) |
| Expenditures | | | |
| Collections | | | |
| Personal Services | 149,577.24 | \$ 152,000.00 | \$ (2,422.76) |
| Contractual Services | 6,970.72 | 6,100.00 | 870.72 |
| Commodities | 20,170.10 | 20,500.00 | (329.90) |
| Capital Outlay | 80,476.40 | 80,476.00 | 0.40 |
| Operating Transfers to | | | |
| General Fund | 36,000.00 | 36,000.00 | - |
| | | | |
| Total Expenditures | 293,194.46 | \$ 295,076.00 | \$ (1,881.54) |
| Receipts Over(Under) Expenditures | (52,390.08) | | |
| Unencumbered Cash, Beginning | 106,927.12 | | |
| Unencumbered Cash, Ending | \$ 54,537.04 | | |

CITY OF IOLA, KANSAS
WASTEWATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|----------------------|------------------------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Intergovernmental | | | |
| Federal Grants - EPA | \$ - | \$ 384,000.00 | \$ (384,000.00) |
| State Grants - CDBG | - | 2,349,000.00 | (2,349,000.00) |
| Charges for Services | | | |
| Utility Revenues | 711,591.70 | 700,000.00 | 11,591.70 |
| Use of Money and Property | | | |
| Interest Income | 19.87 | 9,000.00 | (8,980.13) |
| Other Revenues | | | |
| Miscellaneous | - | 1,000.00 | (1,000.00) |
| Total Receipts | 711,611.57 | \$ 3,443,000.00 | \$ (2,731,388.43) |
| Expenditures | | | |
| Collection and Treatment | | | |
| Personal Services | 144,126.71 | \$ 182,195.00 | \$ (38,068.29) |
| Contractual Services | 46,251.12 | 237,410.00 | (191,158.88) |
| Commodities | 52,643.65 | 34,350.00 | 18,293.65 |
| Capital Outlay | 68,432.85 | 2,349,000.00 | (2,280,567.15) |
| Debt Service | | | |
| Principal | 115,473.65 | - | 115,473.65 |
| Interest | 57,711.25 | - | 57,711.25 |
| Operating Transfers to: | | | |
| General Fund | 84,000.50 | 84,000.00 | 0.50 |
| Stores Fund | 33,333.00 | 33,333.00 | - |
| Total Expenditures | 601,972.73 | \$ 2,920,288.00 | \$ (2,318,315.27) |
| Receipts Over(Under) Expenditures | 109,638.84 | | |
| Unencumbered Cash, Beginning | 11,958.25 | | |
| Unencumbered Cash, Ending | <u>\$ 121,597.09</u> | | |

CITY OF IOLA, KANSAS
STORM WATER FEES FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2012

| | <u>Current Year Actual</u> |
|-----------------------------------|------------------------------------|
| Receipts | |
| Charges for Services | |
| Utility Revenues | <u>\$ 30,278.00</u> |
| Total Receipts | <u>30,278.00</u> |
| Expenditures | |
| General Government | |
| Contractual Services | <u>-</u> |
| Total Expenditures | <u>-</u> |
| Receipts Over(Under) Expenditures | 30,278.00 |
| Unencumbered Cash, Beginning | <u>-</u> |
| Unencumbered Cash, Ending | <u><u>\$ 30,278.00</u></u> |

CITY OF IOLA, KANSAS
STORES FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|---------------------|----------------------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Other Revenues | | | |
| Reimbursed Expense | \$ 252,644.15 | \$ 240,000.00 | \$ 12,644.15 |
| Operating Transfers from: | | | |
| Gas Utility Fund | 33,333.00 | 33,333.00 | - |
| Electric Utility Fund | 33,334.00 | 33,334.00 | - |
| Wastewater Utility Fund | 33,333.00 | 33,333.00 | - |
| Total Receipts | <u>352,644.15</u> | <u>\$ 340,000.00</u> | <u>\$ 12,644.15</u> |
| Expenditures | | | |
| General Government | | | |
| Personal Services | 93,042.28 | \$ 93,067.00 | \$ (24.72) |
| Contractual Services | 13,472.14 | 14,000.00 | (527.86) |
| Commodities | 240,670.05 | 247,933.00 | (7,262.95) |
| Total Expenditures | <u>347,184.47</u> | <u>\$ 355,000.00</u> | <u>\$ (7,815.53)</u> |
| Receipts Over(Under) Expenditures | 5,459.68 | | |
| Unencumbered Cash, Beginning | <u>24,478.86</u> | | |
| Unencumbered Cash, Ending | <u>\$ 29,938.54</u> | | |

CITY OF IOLA, KANSAS
EMPLOYEE HEALTH INSURANCE FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

| | Current Year | | Variance - Over (Under) |
|-----------------------------------|----------------------|----------------------|-------------------------------|
| | Actual | Budget | |
| Receipts | | | |
| Use of Money and Property | | | |
| Interest Income | \$ 382.85 | \$ 500.00 | \$ (117.15) |
| Other Revenues | | | |
| Reimbursed Expense | 649,157.67 | 680,000.00 | (30,842.33) |
| Total Receipts | <u>649,540.52</u> | <u>\$ 680,500.00</u> | <u>\$ (30,959.48)</u> |
| Expenditures | | | |
| General Government | | | |
| Contractual | 531,808.14 | \$ 613,000.00 | \$ (81,191.86) |
| Total Expenditures | <u>531,808.14</u> | <u>\$ 613,000.00</u> | <u>\$ (81,191.86)</u> |
| Receipts Over(Under) Expenditures | 117,732.38 | | |
| Unencumbered Cash, Beginning | <u>200,251.70</u> | | |
| Unencumbered Cash, Ending | <u>\$ 317,984.08</u> | | |

CITY OF IOLA, KANSAS
WM. GREEN TRUST FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2012

| | <u>Current Year Actual</u> |
|-----------------------------------|------------------------------------|
| Receipts | |
| Use of Money and Property | |
| Interest Income | \$ - |
| Total Receipts | <u>-</u> |
| Expenditures | |
| Commodities | <u>4,118.41</u> |
| Total Expenditures | <u>4,118.41</u> |
| Receipts Over(Under) Expenditures | (4,118.41) |
| Unencumbered Cash, Beginning | <u>46,475.35</u> |
| Unencumbered Cash, Ending | <u><u>\$ 42,356.94</u></u> |

CITY OF IOLA, KANSAS
JOSEPH AND MARY WOLF MEMORIAL FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2012

| | <u>Current Year Actual</u> |
|-----------------------------------|------------------------------------|
| Receipts | |
| Use of Money and Property | |
| Interest Income | <u>\$ 3,602.10</u> |
| Total Receipts | <u>3,602.10</u> |
| Expenditures | |
| Commodities | <u>2,147.36</u> |
| Total Expenditures | <u>2,147.36</u> |
| Receipts Over(Under) Expenditures | 1,454.74 |
| Unencumbered Cash, Beginning | <u>12,161.02</u> |
| Unencumbered Cash, Ending | <u><u>\$ 13,615.76</u></u> |

CITY OF IOLA, KANSAS
AGENCY FUNDS
Schedule of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2012

| Fund | Beginning Cash Balance | Receipts | Disbursements | Ending Cash Balance |
|----------------------------------|---------------------------|----------------------|----------------------|------------------------|
| Clean Up Fund | \$ 4,058.68 | \$ 6.88 | \$ - | \$ 4,065.56 |
| Community Involvement Task Force | - | 4,002.00 | 1,532.79 | 2,469.21 |
| Fire Insurance Proceeds | 11,198.66 | 1,021.91 | 1,003.00 | 11,217.57 |
| Special Law Enforcement | 1,122.14 | - | - | 1,122.14 |
| Kansas Sales Tax | (6,468.42) | 343,226.68 | 348,120.32 | (11,362.06) |
| | <u>\$ 9,911.06</u> | <u>\$ 348,257.47</u> | <u>\$ 350,656.11</u> | <u>\$ 7,512.42</u> |

FEDERAL COMPLIANCE SECTION

CITY OF IOLA, KANSAS
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2012

| FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE | PASS-THROUGH IDENTIFYING NUMBER | FEDERAL CFDA NUMBER | CASH RECEIPTS | DISBURSE- MENTS/ EXPENDITURES |
|---|---------------------------------------|---------------------------|----------------------|-------------------------------------|
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | | |
| Direct Grant | | | | |
| Assistance to Firefighters Grant Program | N/A | 97.044 | \$ 56,266.00 | \$ 56,266.00 |
| Staffing for Adequate Fire and Emergency Response (SAFER) - Hiring | N/A | 97.044 | 6,317.08 | 13,057.47 |
| | | Total 97.044 | 62,583.08 | 69,323.47 |
| Passed through the Kansas Department of Emergency Management Public Assistance Grant | FEMA-KS-DR1771 | 97.036 | 775.15 | - |
| Total U.S. Department of Homeland Security | | | 63,358.23 | 69,323.47 |
| <u>U.S. DEPARTMENT OF ENERGY</u> | | | | |
| Passed through the Kansas Corporation Commission Energy Efficiency and Conservation Block Grant Program - ARRA | PPG009 | 81.128 | 39,333.28 | - |
| Total U.S. Department of Energy | | | 39,333.28 | - |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | | |
| Passed through the Kansas Department of Transportation Transportation Enhancement Project - ARRA | 01-TE-0354-01 | 20.205 | 324,133.26 | 338,947.14 |
| CLICK Step Special Enforcement Program - Equipment | OP-1163-12-STEP - EQUIP | 20.600 | 2,372.00 | 2,372.00 |
| CLICK Step Special Enforcement Program | OP-1163-12-STEP | 20.600 | 457.41 | 457.41 |
| | | Total 20.600 | 2,829.41 | 2,829.41 |
| Total U.S. Department of Transportation | | | 326,962.67 | 341,776.55 |
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | | |
| Passed through the Kansas Department of Commerce Community Development Block Grant | 10-HR-028 | 14.228 | 127,217.00 | 127,217.24 |
| Total U.S. Department of Housing and Urban Development | | | 127,217.00 | 127,217.24 |
| TOTAL ALL PROGRAMS | | | \$ 556,871.18 | \$ 538,317.26 |

Note to the Schedule of Expenditures of Federal Awards:
 Federal expenditures are recorded on the accrual basis of accounting, which records expenses when the goods or services are received, and not necessarily when paid.

(M) - Tested as a Major Program

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and City Council
City of Iola, Kansas

We have audited, in accordance with the 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, the financial statements of the City of Iola, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City of Iola, Kansas' basic financial statements and have issued our report thereon dated May 10, 2013.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2012-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Iola, Kansas' financial statements are 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*.

City of Iola, Kansas' Response to Findings

City of Iola, Kansas' response to the findings identified in our audit is described in the accompanying corrective action plan. City of Iola, Kansas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 10, 2013
Chanute, Kansas

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and City Council
City of Iola, Kansas

Report on Compliance for Each Major Federal Program

We have audited the City of Iola, Kansas' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Iola, Kansas' major federal programs for the year ended December 31, 2012. The City of Iola, Kansas' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Iola, Kansas' 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 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 the City of Iola, Kansas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Iola, Kansas' compliance.

Opinion on Each Major Federal Program

In our opinion, Example Entity 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 the City of Iola, 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 of Iola, Kansas' 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 the City of Iola, Kansas' internal control over compliance.

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



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 10, 2013
Chanute, Kansas

CITY OF IOLA, KANSAS

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

The auditors' report expresses an adverse opinion on the financial statements of City of Iola, Kansas in accordance with generally accepted accounting principles and an unqualified opinion on the regulatory basis of accounting.

Internal Control over Financial Reporting:

| | | | | |
|--|---------------|-----|---------------|----|
| Material weakness(es) identified? | <u> X </u> | Yes | <u> </u> | No |
| Significant deficiencies identified that are not considered to be a material weakness? | <u> </u> | Yes | <u> X </u> | No |
| Non compliance or other matters required to be reported under <i>Government Auditing Standards</i> | <u> </u> | Yes | <u> X </u> | No |

Federal Awards:

| | | | | |
|--|---------------|-----|--------------|----|
| Internal control over major programs: | | | | |
| Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> | No |
| Significant deficiencies identified that are not considered to be a material weaknesses? | <u> </u> | Yes | <u> X </u> | No |

The auditors' report on compliance for the major federal award programs for City of Iola, Kansas expresses an unqualified opinion.

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

Identification of major programs:

U.S. Department of Transportation

Transportation Enhancement Project – ARRA – CFDA No. 20.205

The threshold for distinguishing Types A and B programs was \$300,000.00.

| | | | | |
|--|---------------|-----|--------------|----|
| Auditee qualified as a low risk auditee? | <u> </u> | Yes | <u> X </u> | No |
|--|---------------|-----|--------------|----|

CITY OF IOLA, KANSAS

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

II. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2012-001 – Improper Classification of Transactions

Criteria:

Internal controls should be in place that provide reasonable assurance that financial systems generate records for proper accountability for all funds of the City.

Condition:

During our audit testing it was noted the City is not tracking and properly reporting accounts payable and encumbrances. Kansas statutes require the City to track and report unencumbered cash on an on-going basis.

Context:

Audit adjustments resulted in an additional \$702,117.60 of expense and account payable not previously reporting in the City's general ledger as of December 31, 2012.

Effect:

The deficiencies in the design and operation of the internal controls in this area could adversely affect the recording, processing, summarization, and reporting of financial data and management could make an incorrect decision based on materially incorrect amounts.

Cause:

The City does not have adequate staff properly trained in the area of financial statement preparation and review.

Recommendation:

Additional training for staff is needed in the area of financial statement preparation and use of the general ledger software.

Views of responsible officials and planned corrective action:

See the Corrective Action Plan on page 47 of the current year audit.

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

CITY OF IOLA, KANSAS

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2012

December 31, 2011:

No Findings in the Prior Year Audit

Corrective Action Plan

May 10, 2013

Cognizant or Oversight Agency for Audit

City of Iola, Kansas respectfully submits the following corrective action plan for the year ended December 31, 2012.

Name and address of independent public accounting firm: Jarred, Gilmore & Phillips, PA, P.O. Box 779, 1815 S Santa Fe, Chanute, Kansas 66720.

Audit period: Year ended December 31, 2012.

The findings from the May 10, 2013, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule of findings and questioned costs.

Finding 2012-001 – Improper Classification of Transactions

Recommendation:

Additional training for staff is needed in the area of financial statement preparation and use of the general ledger software.

Action Taken:

Staff will receive additional training in the area of financial statement close out and how to properly identify and record the expenses in the proper period.

If the Oversight Agency for Audit has questions regarding this plan, please call Carl Slaugh, City Administrator, at (620)365-4900.

Sincerely,

City of Iola, Kansas

City of Iola, Kansas