

**CITY OF LEROY, KANSAS**

Financial Statement and  
Independent Auditors' Report with  
Supplemental Information

For the Year Ended December 31, 2012

**CITY OF LEROY, KANSAS**

December 31, 2012

**TABLE OF CONTENTS**

	<u>PAGE NUMBER</u>
Independent Auditors' Report .....	1-2
<u>Statement 1</u>	
Summary Statement of Receipts, Expenditures, and Unencumbered Cash – Regulatory Basis.....	3
Notes to the Financial Statement.....	4-9
SUPPLEMENTAL INFORMATION:	
<u>Schedule 1</u>	
Summary of Expenditures – Actual and Budget (Budgeted Funds Only) - Regulatory Basis.....	10
<u>Schedule 2</u>	
Schedule of Receipts and Expenditures – Actual and Budget – Regulatory Basis (with Comparative Actual Amounts for the Prior Year)	
General Fund .....	11-12
Special Liability Fund .....	13
Special Highway Fund .....	14
Special Parks and Recreation Fund .....	15
Equipment Reserve Fund .....	16
Infrastructure Fund .....	17
Community Building Fund .....	18
Water Utility Fund .....	19
Water Utility Bond Reserve Fund .....	20
Water Utility Maintenance Reserve Fund .....	21
1990 Water Utility Principal and Interest Fund .....	22
1990 Water Utility Bond Reserve Fund .....	23
Sewer Utility Fund .....	24
Sewer Replacement Fund .....	25
Solid Waste Management Fund .....	26

**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Council  
City of LeRoy, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of LeRoy, 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, 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 LeRoy, 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 LeRoy, 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 LeRoy, 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.

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 and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 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.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

July 2, 2013  
Chanute, Kansas

**CITY OF LEROY, KANSAS**

Summary Statement of Receipts, Expenditures, and Unencumbered Cash  
Regulatory Basis

For the Year Ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Cash Balances December 31, 2012
<b>Governmental Type Funds:</b>						
General Fund	\$ 210,871.46	\$ 191,065.69	\$ 136,393.54	\$ 265,543.61	\$ 977.64	\$ 266,521.25
<b>Special Purpose Funds:</b>						
Special Liability	41,899.74	12,503.73	15,428.00	38,975.47	-	38,975.47
Special Highway	7,558.66	15,819.17	14,097.83	9,280.00	-	9,280.00
Special Parks and Recreation	3,331.24	28,132.77	25,014.04	6,449.97	-	6,449.97
Equipment Reserve	28,617.03	20,950.00	5,522.40	44,044.63	-	44,044.63
Infrastructure	293,768.29	113,401.00	105,246.39	301,922.90	-	301,922.90
<b>Capital Project Funds:</b>						
Community Building	105,454.25	87,537.74	38,980.28	154,011.71	-	154,011.71
<b>Business Funds:</b>						
Water Utility	56,816.54	143,379.89	138,989.28	61,207.15	6,717.94	67,925.09
Sewer Utility	13,869.35	36,697.52	42,558.16	8,008.71	1,187.50	9,196.21
Sewer Replacement	22,638.93	-	-	22,638.93	-	22,638.93
Solid Waste Management	444.99	40,676.78	40,638.66	483.11	3,749.36	4,232.47
<b>Total Reporting Entity</b>	<b>\$ 785,270.48</b>	<b>\$ 690,164.29</b>	<b>\$ 562,868.58</b>	<b>\$ 912,566.19</b>	<b>\$ 12,632.44</b>	<b>\$ 925,198.63</b>

Composition of Cash:

Petty Cash	\$ 200.00
Checking Accounts	183,232.21
Money Market Accounts	541,766.42
Certificates of Deposits	200,000.00

Total Cash and Investments ..... \$ 925,198.63

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

# CITY OF LEROY, KANSAS

Notes to Financial Statement  
December 31, 2012

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of LeRoy, 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 LeRoy, Kansas, is a municipal corporation governed by an elected five-member council. This financial statement presents the City of LeRoy.

*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:

LeRoy Cemetery Association. The LeRoy Cemetery Association maintains the City's cemetery. The Leroy Cemetery Association can sue or be sued, and can buy, sell or lease real property. Bond issuances must be approved by the City. Financial statements are available through the Cemetery Association.

### 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 LeRoy, 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.

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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Regulatory Basis Fund Types (Continued)

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.

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.)

### Basis of Presentation – 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.

### 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 revenues. In the financial statements and budget comparisons 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.

### 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 1 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 of 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 1 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.

## **2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### 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 timetable in the adoption of the legal annual operating budget:

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

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 the individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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

A legal operating budget is not required for capital project funds, and trust funds.

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 compliance with the cash basis and budget laws of Kansas.

## **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 bank 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.

**3. DEPOSITS AND INVESTMENTS** (Continued)

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 \$925,198.63 and the bank balance was \$944,699.25. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$452,932.83 was covered by FDIC insurance and \$491,766.42 was collateralized with securities held by the pledging financial institutions’ agents in the City’s name.

**4. LOANS RECEIVABLE**

In prior years, the City had established an economic development revolving loan program. The program was the recipient of money paid back to the City of LeRoy by industries which received loans from the economic development loan program, which was funded by a grant from Coffey County in earlier years. The loans due to the City at December 31, 2012 through the economic development revolving loan program are as follows:

	BALANCE 12-31-11	LESS: PRINCIPAL REDUCTIONS	ADD: NEW LOANS	BALANCE 12-31-12
Gunlock & Gleue Designs	\$ 6,489.40	\$ (3,619.01)	\$ - -	\$ 2,870.39
Garceau	13,500.00	- -	- -	13,500.00
Osmundson	4,086.05	(2,088.04)	- -	1,998.01
<b>TOTAL</b>	<b>\$ 24,075.45</b>	<b>\$ (5,707.05)</b>	<b>\$ - -</b>	<b>\$ 18,368.40</b>

**5. DEFINED BENEFIT PENSION PLAN**

*Plan description.* The City participates in the Kansas Public Employees Retirement System (KPERS). A cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS 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.

## **5. DEFINED BENEFIT PENSION PLAN** (Continued)

*Funding Policy.* K.S.A. 74-4919 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 KP&F member-employee contribution rate at 7% of covered salary. 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.

## **6. COMPENSATED ABSENCES**

Regular employees earn and accumulate vacation leave as follows:

- After One Full Year of Employment – 5 days
- After Two Full Years of Employment – 10 days
- After Ten Full Years of Employment – 15 days
- After Twenty Full Years of Employment – 20 days
- After Twenty-five Full Years of Employment – 24 days

Vacation is not earned for partial years worked. Employees shall not accumulate more than ten vacation days.

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 60 days. Any unused sick leave at date of termination or resignation is lost. At retirement employees will be paid for half of their earned sick leave at current rate of pay.

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, because employees had no unused vacation days at year-end, there is no liability. The City has not estimated a liability for sick leave earned, but not taken, by City employees, as the amounts cannot be reasonably estimated at this time.

## **7. 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.

**8. CAPITAL PROJECTS**

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

<u>PROJECT NAME</u>	<u>AUTHORIZED</u>	<u>EXPENDED THRU 12/31/12</u>	<u>COMPLETION</u>
Community Building Project	\$ 615,979.00	\$ 38,980.28	2014
Sewer Pump Station	215,132.80	3,000.00	2013

**9. 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	\$ 20,000.00
Infrastructure	Community Building	K.S.A. 12-1,118	83,000.00

**10. SUBSEQUENT EVENTS**

The City evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statements. Additionally, there were no other nonrecognized subsequent events requiring disclosure.

## **SUPPLEMENTAL INFORMATION**

**CITY OF LEROY, KANSAS**  
 Summary of Expenditures - Actual and Budget  
 (Budgeted Funds Only)  
 Regulatory Basis  
 For the Year Ended December 31, 2012

Funds	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds:			
General Fund	\$ 456,748.00	\$ 136,393.54	\$ (320,354.46)
Special Purpose Funds:			
Special Liability	53,885.00	15,428.00	(38,457.00)
Special Highway	23,117.00	14,097.83	(9,019.17)
Special Parks and Recreation	25,298.00	25,014.04	(283.96)
Equipment Reserve	68,288.00	5,522.40	(62,765.60)
Infrastructure	463,132.00	105,246.39	(357,885.61)
Business Funds:			
Water Utility	198,351.00	138,989.28	(59,361.72)
Sewer Utility	44,376.00	42,558.16	(1,817.84)
Solid Waste Management	40,733.00	40,638.66	(94.34)

**CITY OF LEROY, KANSAS**  
**GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Taxes and Shared Revenue				
Ad Valorem Property	\$ 94,639.01	\$ 98,557.41	\$ 95,041.00	\$ 3,516.41
Delinquent	2,483.13	1,519.83	1,000.00	519.83
Motor Vehicle	14,193.65	14,193.49	12,250.00	1,943.49
Recreational Vehicle	446.65	424.83	416.00	8.83
16/20M Vehicle Tax	440.74	396.89	405.00	(8.11)
Franchise Tax	9,902.26	10,273.06	9,970.00	303.06
Sales Tax	58,861.76	51,521.01	54,000.00	(2,478.99)
Intergovernmental				
Local Alcoholic Liquor Tax	-	12.28	-	12.28
Fines and Forfeitures	3,064.00	869.25	2,600.00	(1,730.75)
Charges for Services	62.50	15.50	-	15.50
Licenses and Permits	1,324.00	719.00	850.00	(131.00)
Use of Money and Property				
Interest Income	3,206.01	3,058.70	2,550.00	508.70
Sale of Materials	34.00	29.00	-	29.00
Economic Loan Interest Income	170.49	165.71	-	165.71
Economic Loan Repayments				
Gunlock & Gleue Designs	3,335.85	3,619.01	5,012.00	(1,392.99)
Elizabeth Osmundson	1,232.82	2,088.04	-	2,088.04
Other Revenues				
Reimbursed Expense	9,992.12	33.49	-	33.49
Miscellaneous	223.24	74.00	225.00	(151.00)
Sanitation Billings Admin.	5,102.43	3,495.19	5,810.00	(2,314.81)
<b>Total Receipts</b>	<b>208,714.66</b>	<b>191,065.69</b>	<b>\$ 190,129.00</b>	<b>\$ 936.69</b>
<b>Expenditures</b>				
General Administration				
Personal Services	23,034.66	23,551.79	\$ 26,173.00	\$ (2,621.21)
Contractual Services	34,666.55	29,011.61	31,000.00	(1,988.39)
Commodities	6,143.63	4,890.16	6,500.00	(1,609.84)
Capital Outlay	-	-	2,000.00	(2,000.00)
Cemetery				
Contractual Services	8,147.39	7,000.00	10,000.00	(3,000.00)
Commodities	1,947.56	145.64	2,700.00	(2,554.36)
Appropriations to Cemetery Association				
	2,000.00	2,000.00	5,000.00	(3,000.00)

**CITY OF LEROY, KANSAS**  
**GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures (Continued)				
Parks and Recreation				
Contractual Services	\$ 5,071.08	\$ 8,506.39	\$ 4,200.00	\$ 4,306.39
Commodities	629.24	543.84	2,500.00	(1,956.16)
Capital Outlay	-	-	2,000.00	(2,000.00)
Police				
Personal Services	23,480.30	23,636.62	28,337.00	(4,700.38)
Contractual Services	2,770.45	2,546.76	3,600.00	(1,053.24)
Commodities	4,269.49	1,919.32	6,000.00	(4,080.68)
Capital Outlay	19,823.00	-	2,000.00	(2,000.00)
Street Department				
Personal Services	155.16	1,274.58	341.00	933.58
Contractual Services	1,015.06	-	2,000.00	(2,000.00)
Commodities	2,879.54	-	5,500.00	(5,500.00)
Capital Outlay	-	-	95,347.00	(95,347.00)
Street Lights				
Contractual Services	11,877.53	11,366.83	12,500.00	(1,133.17)
Community Building Department				
Capital Outlay	-	-	65,000.00	(65,000.00)
Debt Service	72,156.96	-	124,050.00	(124,050.00)
Operating Transfers to:				
Equipment Reserve Fund	-	20,000.00	20,000.00	-
Community Building Fund	5,190.07	-	-	-
Total Expenditures	<u>225,257.67</u>	<u>136,393.54</u>	<u>\$ 456,748.00</u>	<u>\$ (320,354.46)</u>
Receipts Over(Under) Expenditures	(16,543.01)	54,672.15		
Unencumbered Cash, Beginning	<u>227,414.47</u>	<u>210,871.46</u>		
Unencumbered Cash, Ending	<u>\$ 210,871.46</u>	<u>\$ 265,543.61</u>		

**CITY OF LEROY, KANSAS**  
**SPECIAL LIABILITY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Taxes and Shared Revenue				
Ad Valorem Property	\$ 8,759.62	\$ 9,111.09	\$ 8,786.00	\$ 325.09
Delinquent	226.41	139.29	125.00	14.29
Motor Vehicle	1,287.75	1,305.39	1,134.00	171.39
Recreational Vehicle	40.52	39.08	38.00	1.08
16/20M Vehicle Tax	39.96	36.03	38.00	(1.97)
Other Revenues				
Reimbursed Expense	815.68	1,872.85	815.00	1,057.85
<b>Total Receipts</b>	<u>11,169.94</u>	<u>12,503.73</u>	<u>\$ 10,936.00</u>	<u>\$ 1,567.73</u>
<b>Expenditures</b>				
General Government				
Contractual Services	12,674.00	15,428.00	\$ 53,885.00	\$ (38,457.00)
<b>Total Expenditures</b>	<u>12,674.00</u>	<u>15,428.00</u>	<u>\$ 53,885.00</u>	<u>\$ (38,457.00)</u>
Receipts Over(Under) Expenditures	(1,504.06)	(2,924.27)		
Unencumbered Cash, Beginning	43,403.80	41,899.74		
Unencumbered Cash, Ending	<u>\$ 41,899.74</u>	<u>\$ 38,975.47</u>		

**CITY OF LEROY, KANSAS**  
**SPECIAL HIGHWAY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Intergovernmental				
Special Highway Tax	\$ 14,496.66	\$ 14,468.09	\$ 15,040.00	\$ (571.91)
Use of Money and Property				
Sale of Materials	2,070.80	1,126.62	1,000.00	126.62
Other Revenues				
Reimbursed Expense	-	224.46	-	224.46
<b>Total Receipts</b>	<u>16,567.46</u>	<u>15,819.17</u>	<u>\$ 16,040.00</u>	<u>\$ (220.83)</u>
<b>Expenditures</b>				
Street Maintenance				
Personal Service	10,670.23	8,421.56	\$ 12,155.00	\$ (3,733.44)
Contractual Services	42.50	41.08	50.00	(8.92)
Commodities	5,134.40	5,635.19	10,912.00	(5,276.81)
<b>Total Expenditures</b>	<u>15,847.13</u>	<u>14,097.83</u>	<u>\$ 23,117.00</u>	<u>\$ (9,019.17)</u>
Receipts Over(Under) Expenditures	720.33	1,721.34		
Unencumbered Cash, Beginning	<u>6,838.33</u>	<u>7,558.66</u>		
Unencumbered Cash, Ending	<u>\$ 7,558.66</u>	<u>\$ 9,280.00</u>		

**CITY OF LEROY, KANSAS**  
**SPECIAL PARKS AND RECREATION FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Intergovernmental				
County Grants	\$ 23,337.50	\$ 23,287.50	\$ 23,388.00	\$ (100.50)
Local Alcoholic Liquor Tax	-	12.27	-	12.27
Charges for Services				
Camping Fees	202.50	220.00	970.00	(750.00)
Use of Money and Property				
Sale of Materials	180.00	-	-	-
Other Revenues				
Miscellaneous	2,551.28	4,613.00	-	4,613.00
<b>Total Receipts</b>	<u>26,271.28</u>	<u>28,132.77</u>	<u>\$ 24,358.00</u>	<u>\$ 3,774.77</u>
<b>Expenditures</b>				
Culture and Recreation				
Personal Services	16,168.91	18,063.11	\$ 20,520.00	\$ (2,456.89)
Contractual Services	71.70	128.43	798.00	(669.57)
Commodities	5,285.55	6,822.50	3,980.00	2,842.50
Capital Outlay	1,975.00	-	-	-
<b>Total Expenditures</b>	<u>23,501.16</u>	<u>25,014.04</u>	<u>\$ 25,298.00</u>	<u>\$ (283.96)</u>
Receipts Over(Under) Expenditures	2,770.12	3,118.73		
Unencumbered Cash, Beginning	<u>561.12</u>	<u>3,331.24</u>		
Unencumbered Cash, Ending	<u>\$ 3,331.24</u>	<u>\$ 6,449.97</u>		

**CITY OF LEROY, KANSAS**  
**EQUIPMENT RESERVE FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Use of Money and Property				
Sale of Materials	\$ 329.00	\$ 950.00	\$ -	\$ 950.00
Operating Transfers from General Fund	-	20,000.00	20,000.00	-
Total Receipts	<u>329.00</u>	<u>20,950.00</u>	<u>\$ 20,000.00</u>	<u>\$ 950.00</u>
Expenditures				
General Government				
Capital Outlay	<u>36,000.00</u>	<u>5,522.40</u>	<u>\$ 68,288.00</u>	<u>\$ (62,765.60)</u>
Total Expenditures	<u>36,000.00</u>	<u>5,522.40</u>	<u>\$ 68,288.00</u>	<u>\$ (62,765.60)</u>
Receipts Over(Under) Expenditures	(35,671.00)	15,427.60		
Unencumbered Cash, Beginning	<u>64,288.03</u>	<u>28,617.03</u>		
Unencumbered Cash, Ending	<u>\$ 28,617.03</u>	<u>\$ 44,044.63</u>		

**CITY OF LEROY, KANSAS**  
**INFRASTRUCTURE FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
County Grants	\$ 113,401.00	\$ 113,401.00	\$ 113,401.00	\$ -
Total Receipts	<u>113,401.00</u>	<u>113,401.00</u>	<u>\$ 113,401.00</u>	<u>\$ -</u>
Expenditures				
General Government				
Contractual Services	980.34	1,723.71	\$ 40,000.00	\$ (38,276.29)
Commodities	4,316.87	768.96	10,000.00	(9,231.04)
Capital Outlay	72,777.27	19,753.72	413,132.00	(393,378.28)
Operating Transfers to				
Community Building Fund	-	83,000.00	-	83,000.00
Total Expenditures	<u>78,074.48</u>	<u>105,246.39</u>	<u>\$ 463,132.00</u>	<u>\$ (357,885.61)</u>
Receipts Over(Under) Expenditures	35,326.52	8,154.61		
Unencumbered Cash, Beginning	<u>258,441.77</u>	<u>293,768.29</u>		
Unencumbered Cash, Ending	<u>\$ 293,768.29</u>	<u>\$ 301,922.90</u>		

**CITY OF LEROY, KANSAS**  
**COMMUNITY BUILDING FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grants	\$ -	\$ 4,500.00
Other Revenues		
Donations	100,264.18	37.74
Operating Transfers from:		
General Fund	5,190.07	-
Infrastructure Fund	-	83,000.00
	<u>105,454.25</u>	<u>87,537.74</u>
Total Receipts		
Expenditures		
Capital Improvements		
Capital Outlay	-	38,980.28
	<u>-</u>	<u>38,980.28</u>
Total Expenditures		
Receipts Over(Under) Expenditures	105,454.25	48,557.46
Unencumbered Cash, Beginning	-	105,454.25
	<u>-</u>	<u>105,454.25</u>
Unencumbered Cash, Ending	<u>\$ 105,454.25</u>	<u>\$ 154,011.71</u>

**CITY OF LEROY, KANSAS**  
**WATER UTILITY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Operating Revenues				
Water Sales	\$ 145,955.73	\$ 140,935.61	\$ 149,000.00	\$ (8,064.39)
Connections	1,600.00	2,205.00	1,400.00	805.00
Use of Money and Property				
Interest Income	92.06	67.90	120.00	(52.10)
Sale of Materials	812.00	171.38	-	171.38
Other Revenues				
Reimbursed Expenses	2,892.00	-	-	-
<b>Total Receipts</b>	<u>151,351.79</u>	<u>143,379.89</u>	<u>\$ 150,520.00</u>	<u>\$ (7,140.11)</u>
<b>Expenditures</b>				
Operating Expenditures				
Personal Services	61,757.76	62,729.81	\$ 65,681.00	\$ (2,951.19)
Contractual Services	78,784.51	68,129.90	88,000.00	(19,870.10)
Commodities	5,846.04	8,129.57	6,000.00	2,129.57
Capital Outlay	-	-	26,070.00	(26,070.00)
Operating Transfers to 1990 Water Utility Principal and Interest Fund	4,591.74	-	12,600.00	(12,600.00)
<b>Total Expenditures</b>	<u>150,980.05</u>	<u>138,989.28</u>	<u>\$ 198,351.00</u>	<u>\$ (59,361.72)</u>
Receipts Over(Under) Expenditures	371.74	4,390.61		
Unencumbered Cash, Beginning	<u>56,444.80</u>	<u>56,816.54</u>		
Unencumbered Cash, Ending	<u>\$ 56,816.54</u>	<u>\$ 61,207.15</u>		

**CITY OF LEROY, KANSAS**  
**WATER UTILITY BOND RESERVE FUND**  
Schedule of Receipts and Expenditures - Actual  
Regulatory Basis  
For the Year Ended December 31, 2012  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfers from Water Utility Fund	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Operating Transfers to 1990 Water Utility Principal and Interest Fund	7,000.00	-
Total Expenditures	7,000.00	-
Receipts Over(Under) Expenditures	(7,000.00)	-
Unencumbered Cash, Beginning	7,000.00	-
Unencumbered Cash, Ending	\$ -	\$ -

**CITY OF LEROY, KANSAS**  
**WATER UTILITY MAINTENANCE RESERVE FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from Water Utility Fund	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Operating Transfers to 1990 Water Utility Principal and Interest Fund	3,500.00	-
Total Expenditures	3,500.00	-
Receipts Over(Under) Expenditures	(3,500.00)	-
Unencumbered Cash, Beginning	3,500.00	-
Unencumbered Cash, Ending	\$ -	\$ -

**CITY OF LEROY, KANSAS**  
**1990 WATER UTILITY PRINCIPAL AND INTEREST FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from:		
Water Utility Fund	\$ 4,591.74	\$ -
Water Utility Bond Reserve Fund	7,000.00	-
Water Utility Maintenance Reserve Fund	3,500.00	-
1990 Water Utility Bond Reserve Fund	13,200.00	-
Total Receipts	28,291.74	-
Expenditures		
Debt Service		
Principal	52,267.78	-
Interest	5,721.65	-
Postage	51.26	-
Total Expenditures	58,040.69	-
Receipts Over(Under) Expenditures	(29,748.95)	-
Unencumbered Cash, Beginning	29,748.95	-
Unencumbered Cash, Ending	\$ -	\$ -

**CITY OF LEROY, KANSAS**  
**1990 WATER UTILITY BOND RESERVE FUND**  
Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from Water Utility Fund	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Operating Transfers to 1990 Water Utility Principal and Interest Fund	13,200.00	-
Total Expenditures	13,200.00	-
Receipts Over(Under) Expenditures	(13,200.00)	-
Unencumbered Cash, Beginning	13,200.00	-
Unencumbered Cash, Ending	\$ -	\$ -

**CITY OF LEROY, KANSAS  
SEWER UTILITY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Operating Revenues				
User Fees	\$ 37,445.62	\$ 36,629.60	\$ 38,000.00	\$ (1,370.40)
Use of Money and Property				
Interest Income	92.05	67.92	80.00	(12.08)
<b>Total Receipts</b>	<u>37,537.67</u>	<u>36,697.52</u>	<u>\$ 38,080.00</u>	<u>\$ (1,382.48)</u>
<b>Expenditures</b>				
Operating Expenditures				
Personal Services	27,010.46	28,701.13	\$ 30,764.00	\$ (2,062.87)
Contractual Services	20,166.67	8,964.70	6,000.00	2,964.70
Commodities	2,953.73	4,892.33	5,000.00	(107.67)
Capital Outlay	-	-	2,612.00	(2,612.00)
<b>Total Expenditures</b>	<u>50,130.86</u>	<u>42,558.16</u>	<u>\$ 44,376.00</u>	<u>\$ (1,817.84)</u>
Receipts Over(Under) Expenditures	(12,593.19)	(5,860.64)		
Unencumbered Cash, Beginning	<u>26,462.54</u>	<u>13,869.35</u>		
Unencumbered Cash, Ending	<u>\$ 13,869.35</u>	<u>\$ 8,008.71</u>		

**CITY OF LEROY, KANSAS**  
**SEWER REPLACEMENT FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from Sewer Utility Fund	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Capital Improvements Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>22,638.93</u>	<u>22,638.93</u>
Unencumbered Cash, Ending	<u>\$ 22,638.93</u>	<u>\$ 22,638.93</u>

**CITY OF LEROY, KANSAS**  
**SOLID WASTE MANAGEMENT FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Operating Revenues				
User Fees	\$ 39,873.07	\$ 40,676.78	\$ 40,000.00	\$ 676.78
Total Receipts	<u>39,873.07</u>	<u>40,676.78</u>	<u>\$ 40,000.00</u>	<u>\$ 676.78</u>
Expenditures				
General Government				
Contractual Services	<u>39,836.36</u>	<u>40,638.66</u>	<u>\$ 40,733.00</u>	<u>\$ (94.34)</u>
Total Expenditures	<u>39,836.36</u>	<u>40,638.66</u>	<u>\$ 40,733.00</u>	<u>\$ (94.34)</u>
Receipts Over(Under) Expenditures	36.71	38.12		
Unencumbered Cash, Beginning	<u>408.28</u>	<u>444.99</u>		
Unencumbered Cash, Ending	<u>\$ 444.99</u>	<u>\$ 483.11</u>		



## Communication of Material Weaknesses

The Honorable Mayor and City Council  
City of LeRoy, Kansas

In planning and performing our audit of the financial statement of the City of LeRoy, Kansas, as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the City of LeRoy, Kansas' internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in City of LeRoy, Kansas' internal control to be material weaknesses:

### Preparation of Financial Statement

Accounting standards states the client must be able to accept responsibility and be able to identify a material misstatement when reviewing the financial statement, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the City staff does not have the ability to process and prepare the required financial statement, including footnotes. The potential effects of this material weakness could be unrecognized errors on the financial statement. While we recognize that this condition is not unusual for a City your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Council should continually be aware of the financial reporting of the City and changes in reporting requirements.

---

Jarred, Gilmore & Phillips, PA  
CERTIFIED PUBLIC ACCOUNTANTS

412 W. MAIN, P.O. BOX 97  
NEODESHA, KANSAS 66757  
(620) 325-3430

1815 S. SANTA FE, P.O. BOX 779  
CHANUTE, KANSAS 66720  
(620) 431-6342

16 W. JACKSON  
IOLA, KANSAS 66749  
(620) 365-3125

[www.jgppa.com](http://www.jgppa.com)

Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the City's financial activity is properly recorded, processed, summarized, and reported in the financial statements. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the City. Due to small staff size, it is not possible for reviews of daily work to take place, potentially resulting in errors in financial records and reports.

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



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

July 2, 2013  
Chanute, Kansas