

**CITY OF WESTMORELAND, KANSAS**

**FINANCIAL STATEMENT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2012**

CITY OF WESTMORELAND, KANSAS

FINANCIAL STATEMENT  
For the Year Ended December 31, 2012

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INDEPENDENT AUDITORS' REPORT

April 25, 2013

Mayor and City Council  
City of Westmoreland  
Westmoreland, Kansas

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

*Management's Responsibility for the Financial Statements*

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 Westmoreland to meet the requirement of the State of Kansas on the basis of 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 the 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 Westmoreland 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 Westmoreland as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

*Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget (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 basis 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 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.

*Report on Internal Control*

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2013 on our consideration of the City of Westmoreland, Kansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the City Council and management of the City of Westmoreland, Kansas and for filing with the Kansas Department of Administration, Division of Accounts and Reports and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



James Gordon & Associates CPA, P.A.

CITY OF WESTMORELAND, 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	Ending Cash Balance
Government Type Funds:						
General Fund	236,242.24	355,377.29	368,626.26	222,993.27	29,913.96	252,907.23
Special Purpose Funds:						
Employee Benefits Fund	4,122.73	29,129.14	33,251.87	-	752.01	752.01
Special Highway Fund	21,687.73	20,312.78	26,265.71	15,734.80	-	15,734.80
Street Improvement Fund	8,619.78	29,910.22	26,476.87	12,053.13	-	12,053.13
Bond and Interest Fund	25,234.20	121,935.88	121,485.06	25,685.02	-	25,685.02
Capital Project Funds:						
Wastewater System Improvement Fund	12,422.49	62,782.34	75,204.83	-	-	-
Water System Improvement Fund	-	62,300.00	62,300.00	-	-	-
Business Fund	25,677.42	317,631.38	307,003.90	36,304.90	13,720.99	50,025.89
<b>Total</b>	<b>\$ 334,006.59</b>	<b>\$ 999,379.03</b>	<b>\$ 1,020,614.50</b>	<b>\$ 312,771.12</b>	<b>\$ 44,386.96</b>	<b>\$ 357,158.08</b>
Composition of Cash:						
NOW Account - Farmers State Bank						\$ 255,206.67
Checking Account - Farmers State Bank						1,780.14
Money Market Account - Farmers State Bank						20,622.99
Certificate of Deposit - Farmers State Bank						79,548.28
<b>Total Cash</b>						<b>\$ 357,158.08</b>

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

CITY WESTMORELAND, KANSAS

NOTES TO FINANCIAL STATEMENT  
For the Year Ended December 31, 2012

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Westmoreland, Kansas, is a municipal corporation governed by an elected five-member council plus a mayor. This financial statement presents the City of Westmoreland (the municipality).

Regulatory Basis Fund Types

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

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

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

Capital Project Funds - used to account for 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. utility fund).

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 or 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 regulatory basis of accounting.

CITY WESTMORELAND, KANSAS

NOTES TO FINANCIAL STATEMENT  
For the Year Ended December 31, 2012

Note 1 - Summary of Significant Accounting Policies, Continued

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

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

All legal annual operating budgets are prepared using the 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.

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.

CITY WESTMORELAND, KANSAS

NOTES TO FINANCIAL STATEMENT  
For the Year Ended December 31, 2012

Note 1 - Summary of Significant Accounting Policies, Continued

Compensated Absences

Expenses for accumulated vacation and sick leave earned by employees are recorded when paid or taken by the employees. The City Clerk and Maintenance Supervisor earn 8.0 hours of paid vacation leave for each full month of service commencing on the date of employment. Full-time employees may accrue vacation leave up to 144 hours. Not more than 48 hours of vacation leave may be carried forward from one calendar year to the next, and any vacation leave in excess of 48 hours will be lost. Upon resignation or termination, full-time employees will be compensated for all earned but unused vacation leave at their final rate of pay, subject to the 144 hour accrual limit.

Full-time employees earn eight hours of sick leave for each full month of service commencing on the date of employment. Full-time employees may accrue sick leave up to 320 hours. Upon resignation or termination full-time employees will forfeit their sick leave. If full-time employees have ten or more consecutive years of service and resign or are terminated without cause then sick leave will be paid at the lesser of the then accrued sick leave or 120 hours.

Reimbursements

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund receiving the reimbursement.

Note 2 - Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Municipality. The statute requires banks eligible to hold the Municipality's funds have a main or branch bank in the county in which the Municipality is located, 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 Municipality has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Municipality'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 Municipality has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the Municipality 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 Municipality's deposits may not be returned to it. State statutes require

CITY WESTMORELAND, KANSAS

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2012

the Municipality's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Municipality has not designated any "peak periods". All deposits were legally secured at December 31, 2012.

At December 31, 2012, the Municipality's carrying amount of deposits was \$357,158.08 and the bank balance was \$361,005.37. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$251,780.14 was covered by federal depository insurance, and \$109,225.23 was collateralized with securities held by the pledging financial institutions' agents in the Municipality's name. The pledged securities are held under a tri-party custodial agreement signed by all three parties; the City, the pledging bank, and the independent third-party bank holding the pledged securities.

Note 3 - Property Taxes

In accordance with governing State statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar-year basis and are levied and become a lien on the property on November 1<sup>st</sup> 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<sup>th</sup> during the year levied with the balance to be paid on or before May 10<sup>th</sup> of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes levied and collected in the year prior to January 1<sup>st</sup> of the ensuing year.

CITY WESTMORELAND, KANSAS

NOTES TO FINANCIAL STATEMENT  
For the Year Ended December 31, 2012

Note 4 - Long-Term Debt

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

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds:										
Internal Improvement-										
Series 2002-A	4.75%	3/18/2002	290,000.00	3/18/2042	267,000.00	-	4,000.00	(4,000.00)	263,000.00	12,682.50
Series 2002-B (*)	4.00%-5.00%	12/1/2002	140,000.00	12/1/2018	70,000.00	-	10,000.00	(10,000.00)	60,000.00	3,125.00
Series 2003-A	4.00%	9/1/2003	83,000.00	9/1/2013	20,000.00	-	10,000.00	(10,000.00)	10,000.00	800.00
Series 2007-A	3.9%-4.45%	9/15/2007	150,000.00	10/1/2027	130,000.00	-	5,000.00	(5,000.00)	125,000.00	5,620.00
Series 2007-B	3.90%	9/15/2007	8,000.00	10/1/2015	4,000.00	-	1,000.00	(1,000.00)	3,000.00	156.00
Series 2009	4.38%	5/22/2009	236,000.00	5/22/2049	231,356.60	-	2,475.14	(2,475.14)	228,881.46	10,121.85
Series 2011-A	3.50%	5/12/2011	122,000.00	10/1/2021	122,000.00	-	12,000.00	(12,000.00)	110,000.00	6,049.17
Notes Payable:										
Kansas Department of Health & Environment Loan										
	2.58%	10/6/2005	567,670.34	9/1/2027	352,323.19	62,782.34	29,383.36	33,398.98	385,722.17	9,067.04
Lease-Purchase Agreement:										
Sewer Jetter	5.99%	7/17/2008	16,200.00	7/17/2012	3,422.48	-	3,422.48	(3,422.48)	-	205.01
Fire Truck	4.25%	1/22/2010	50,000.00	1/22/2017	43,716.63	-	6,550.42	(6,550.42)	37,166.21	1,857.95
Total Long-Term Debt					<u>\$ 1,243,818.90</u>	<u>\$ 62,782.34</u>	<u>\$ 83,831.40</u>	<u>\$ (21,049.06)</u>	<u>\$ 1,222,769.84</u>	<u>\$ 49,684.52</u>

(\*) To be paid with special assessments.

CITY WESTMORELAND, KANSAS

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2012

Note 4 - Long-Term Debt (continued)

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

	YEAR							Total
	2013	2014	2015	2016	2017	2018-2022	2023-2050	
General Obligation Bonds	\$ 42,583.44	\$ 32,696.46	\$ 32,814.43	\$ 32,937.56	\$ 33,066.08	\$ 165,463.82	\$ 460,319.67	\$ 799,881.46
Notes Payable	22,247.05	22,824.72	23,417.39	24,025.47	24,649.31	133,186.33	135,371.90	385,722.17
Lease-Purchase Agreement	6,824.48	7,118.84	7,421.40	7,736.81	8,064.68	-	-	37,166.21
<b>Total Principal</b>	<b>71,654.97</b>	<b>62,640.02</b>	<b>63,653.22</b>	<b>64,699.84</b>	<b>65,780.07</b>	<b>298,650.15</b>	<b>595,691.57</b>	<b>1,222,769.84</b>
General Obligation Bonds	\$ 35,023.06	\$ 33,321.04	\$ 31,999.07	\$ 30,656.94	\$ 29,285.92	\$ 123,791.18	\$ 272,499.34	556,576.55
Notes Payable	9,809.05	9,231.38	8,638.71	8,030.63	7,406.79	27,094.17	8,880.55	79,091.28
Lease-Purchase Agreement	1,583.89	1,289.53	986.97	671.56	343.69	-	-	4,875.64
<b>Total Interest</b>	<b>46,416.00</b>	<b>43,841.95</b>	<b>41,624.75</b>	<b>39,359.13</b>	<b>37,036.40</b>	<b>150,885.35</b>	<b>281,379.89</b>	<b>640,543.47</b>
<b>Total Principal and Interest</b>	<b>\$ 118,070.97</b>	<b>\$ 106,481.97</b>	<b>\$ 105,277.97</b>	<b>\$ 104,058.97</b>	<b>\$ 102,816.47</b>	<b>\$ 449,535.50</b>	<b>\$ 877,071.46</b>	<b>\$ 1,863,313.31</b>

All general obligation bonds are secured by the full faith and credit of the City.

CITY WESTMORELAND, KANSAS

NOTES TO FINANCIAL STATEMENT  
For the Year Ended December 31, 2012

Note 5 – Interfund Transactions

The following operating transfers were made for the year 2012:

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
Utility	Bond & Interest	K.S.A. 12-825d	\$84,387.00

Note 6 – Compensated Absences

As of December 31, 2012 the accumulated vacation leave due was \$1,944.57. No sick pay has accumulated as of December 31, 2012.

Note 7 – Defined Benefit Pension Plan

*Plan description.* The City of Westmoreland, Kansas contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, Kansas 66603-3869) 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. 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 the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established for calendar years 2012 is 8.34%. The City employer contributions to KPERS for the years ending December 31, 2012, 2011, and 2010 totaled \$9,081.72, \$8,312.24, and \$6,600.56, respectively, equal to the required contributions for each year.

CITY WESTMORELAND, KANSAS

NOTES TO FINANCIAL STATEMENT  
For the Year Ended December 31, 2012

Note 8 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years. There have been no decreases in insurance coverage from the prior year.

Note 9 – Water System Improvements

A 2002 water delivery system project is being undertaken in association with Pottawatomie County Rural Water District #4 (RWD #4). As part of this arrangement, the City of Westmoreland is committed under a 40 year contract with RWD #4 to pay debt service and water supply charges of approximately \$70,000.00 a year.

Water supply charges for 2012 were \$113,561.75.

Note 10 – Conduit Debt Obligations

In 2006, the City of Westmoreland issued bonds on behalf of Westy Community Home Care, Inc. in the amount of \$2,000,000.00. The proceeds of these bonds were used by Westy Community Home Care, Inc. for facility additions. The bonds require payments equal to principal and interest payments over the term of the bonds. Westy Community Home Care will finance these payments through rental payments to the City of Westmoreland, paid directly to the Trustee, Security Bank of Kansas City, over the next 20 years.

On December 22, 2011 the City issued Health Care Facilities Refunding Revenue Bonds, Series 2011 to provide funds to pay the costs of refunding the Series 2006 Bonds. \$1,785,000.00 of remaining debt was paid to close the 2006 bonds.

The series 2011 bonds were issued at \$1,650,000.00. The bonds are secured by Westy Community Care Home, Inc., pursuant to Kansas Statute 12-1740, the city has no obligation for the debt beyond the resources provided by the lease payments indicated above. The lease requires monthly payments sufficient to retire the bonds principal. \$1,545,000 was outstanding as of December 31, 2012.

Note 11 – Subsequent Events

In preparing these financial statements, The City of Westmoreland has evaluated events and transactions for potential recognition or disclosure through April 25, 2013, the date the financial statements were available for issue.

**REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION**

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

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance- Over (Under)
Government Type Funds:					
General Fund	\$ 544,950.00	\$ -	\$ 544,950.00	\$ 368,626.26	\$ (176,323.74)
Special Purpose Funds:					
Employee Benefits Fund	33,804.00	-	33,804.00	33,251.87	(552.13)
Special Highway Fund	41,583.00	-	41,583.00	26,265.71	(15,317.29)
Street Improvement Fund	36,294.00	-	36,294.00	26,476.87	(9,817.13)
Bond and Interest Fund	163,335.00	-	163,335.00	121,485.06	(41,849.94)
Business Fund	396,376.00	-	396,376.00	307,003.90	(89,372.10)

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

	Actual	Budget	Variance- Over (Under)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad Valorem Tax	\$ 86,693.77	\$ 89,868.00	\$ (3,174.23)
Delinquent Tax	2,793.91	-	2,793.91
Motor Vehicle Tax	15,793.08	15,169.00	624.08
16/20M Vehicle Tax	156.43	104.00	52.43
Recreational Vehicle Tax	427.59	140.00	287.59
County Sales Tax	117,349.14	98,000.00	19,349.14
City/Local Sales Tax	54,581.40	62,000.00	(7,418.60)
Franchise Tax	21,824.55	22,000.00	(175.45)
Pool Revenue	18,340.58	15,500.00	2,840.58
RV Park	5,075.00	5,000.00	75.00
Miscellaneous	1,257.10	3,500.00	(2,242.90)
Interest on Idle Funds	1,160.90	2,500.00	(1,339.10)
Forestry Grant	2,815.00	-	2,815.00
Cemetery	3,125.00	2,500.00	625.00
Reimbursements	18,181.14	2,500.00	15,681.14
Permits and Licenses	1,720.20	600.00	1,120.20
Dog Tags	852.50	500.00	352.50
Donations	3,230.00		3,230.00
Total Cash Receipts	<u>355,377.29</u>	<u>\$ 319,881.00</u>	<u>\$ 35,496.29</u>
Expenditures:			
G/A - Personal Services	98,257.98	77,000.00	21,257.98
G/A - Contractual Services	91,292.01	89,000.00	2,292.01
G/A - Commodities	39,499.05	40,000.00	(500.95)
G/A - Miscellaneous	8,566.67	-	8,566.67
G/A - Capital Outlay	31,253.24	258,950.00	(227,696.76)

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

	<u>Actual</u>	<u>Budget</u>	Variance- Over (Under)
Expenditures (Continued):			
Pool	52,155.54	40,000.00	12,155.54
Fire - Contractual Services	10,743.35	10,000.00	743.35
Fire - Commodities	9,368.28	8,500.00	868.28
Fire - Capital Outlay	11,958.37	1,000.00	10,958.37
Street Lighting - Contractual Services	-	500.00	(500.00)
Street - Commodities	242.65	-	242.65
Cemetery - Contractual Services	780.00	1,000.00	(220.00)
Cemetery - Commodities	7,191.56	1,000.00	6,191.56
Cemetery - Capital Outlay	-	500.00	(500.00)
Library - Contractual Services	-	1,000.00	(1,000.00)
RV Park	4,436.68	7,500.00	(3,063.32)
Contributions	-	1,000.00	(1,000.00)
Miscellaneous	2,880.88	8,000.00	(5,119.12)
	<u>368,626.26</u>	<u>\$ 544,950.00</u>	<u>\$ (176,323.74)</u>
Cash Receipts Over (Under) Expenditures	(13,248.97)		
Unencumbered Cash, Beginning	<u>236,242.24</u>		
Unencumbered Cash, Ending	<u>\$ 222,993.27</u>		

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

	Actual	Budget	Variance- Over (Under)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad Valorem Tax	\$ 25,507.76	\$ 26,441.00	\$ (933.24)
Delinquent Tax	591.60	-	591.60
Motor Vehicle Tax	2,933.31	3,156.00	(222.69)
Recreational Vehicle Tax	76.58	29.00	47.58
16/20 M Vehicle Tax	19.89	22.00	(2.11)
Total Cash Receipts	29,129.14	\$ 29,648.00	\$ (518.86)
Expenditures:			
Payroll Taxes	10,755.18	18,200.00	(7,444.82)
Health Insurance	14,066.94	10,000.00	4,066.94
KPERS	8,429.75	5,604.00	2,825.75
Total Expenditures	33,251.87	\$ 33,804.00	\$ (552.13)
Cash Receipts Over (Under) Expenditures	(4,122.73)		
Unencumbered Cash, Beginning	4,122.73		
Unencumbered Cash, Ending	\$ -		

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

	Actual	Budget	Variance- Over (Under)
Cash Receipts:			
State Payments	\$ 20,312.78	\$ 20,150.00	\$ 162.78
Total Cash Receipts	20,312.78	\$ 20,150.00	\$ 162.78
Expenditures:			
Contractual Services	105.00	8,083.00	(7,978.00)
Commodities	26,160.71	33,500.00	(7,339.29)
Total Expenditures	26,265.71	\$ 41,583.00	\$ (15,317.29)
Cash Receipts Over (Under) Expenditures	(5,952.93)		
Unencumbered Cash, Beginning	21,687.73		
Unencumbered Cash, Ending	\$ 15,734.80		

CITY OF WESTMORELAND, KANSAS  
 Street Improvement Fund  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Actual	Budget	Variance- Over (Under)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad Valorem Tax	\$ 26,463.90	\$ 27,433.00	\$ (969.10)
Delinquent Tax	516.65	-	516.65
Motor Vehicle Tax	2,827.13	2,773.00	54.13
16/20 M Vehicle Tax	26.46	25.00	1.46
Recreational Vehicle Tax	76.08	19.00	57.08
Total Cash Receipts	29,910.22	\$ 30,250.00	\$ (339.78)
Expenditures:			
Contractual Services	3,634.75	6,000.00	(2,365.25)
Commodities	22,842.12	27,500.00	(4,657.88)
Capital Outlay	-	2,794.00	(2,794.00)
Total Expenditures	26,476.87	\$ 36,294.00	\$ (9,817.13)
Cash Receipts Over (Under) Expenditures	3,433.35		
Unencumbered Cash, Beginning	8,619.78		
Unencumbered Cash, Ending	\$ 12,053.13		

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

	Actual	Budget	Variance- Over (Under)
Cash Receipts:			
Special Assessments	\$ 23,896.43	\$ 24,901.00	\$ (1,004.57)
Bond Proceeds	-	14,135.00	(14,135.00)
Ad Valorem Tax	13,652.45	14,135.00	(482.55)
Transfers In from Utilities Fund	84,387.00	84,387.00	-
	<u>121,935.88</u>	<u>\$ 137,558.00</u>	<u>\$ (15,622.12)</u>
Expenditures:			
Bond Principal	44,475.14	44,475.00	0.14
Bond Interest	38,554.52	38,554.00	0.52
KDHE Loan Principal	29,383.36	32,519.00	(3,135.64)
KDHE Loan Interest	9,067.04	6,788.00	2,279.04
Commission	5.00	10.00	(5.00)
Cash Basis Reserve	-	40,989.00	(40,989.00)
	<u>121,485.06</u>	<u>\$ 163,335.00</u>	<u>\$ (41,849.94)</u>
Cash Receipts Over (Under) Expenditures	450.82		
Unencumbered Cash, Beginning	<u>25,234.20</u>		
Unencumbered Cash, Ending	<u>\$ 25,685.02</u>		

CITY OF WESTMORELAND, KANSAS  
Wastewater System Improvement Fund - Nonbudgeted Funds  
Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2012

	<u>Current Year</u>	<u>From Inception</u>
Cash Receipts:		
Loan Proceeds	\$ 62,782.34	\$ 567,670.34
CDBG Grant		400,000.00
Donation	-	67,968.00
	<u>62,782.34</u>	<u>1,035,638.34</u>
Total Cash Receipts		
	<u>62,782.34</u>	<u>1,035,638.34</u>
Expenditures:		
Construction	39,203.00	766,968.15
Engineering	17,576.65	218,289.49
General and Administrative	18,425.18	50,380.70
	<u>75,204.83</u>	<u>1,035,638.34</u>
Total Expenditures		
	<u>75,204.83</u>	<u>1,035,638.34</u>
Cash Receipts Over (Under) Expenditures	(12,422.49)	-
Unencumbered Cash, Beginning	<u>12,422.49</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

CITY OF WESTMORELAND, KANSAS  
 Water System Improvement Fund - Nonbudgeted Funds  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	<u>Current Year</u>	<u>From Inception</u>
Cash Receipts:		
Rural Development Grant	\$ 62,300.00	\$ 671,714.00
	<u>62,300.00</u>	<u>671,714.00</u>
Total Cash Receipts		
	<u>62,300.00</u>	<u>671,714.00</u>
Expenditures:		
Construction	60,200.00	537,346.33
Engineering	2,100.00	33,717.00
General and Administrative	-	100,650.67
	<u>-</u>	<u>100,650.67</u>
Total Expenditures		
	<u>62,300.00</u>	<u>671,714.00</u>
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

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

	Actual	Budget	Variance- Over (Under)
	<u>          </u>	<u>          </u>	<u>          </u>
Cash Receipts:			
User Fees	\$ 296,098.58	\$ 353,240.00	\$ (57,141.42)
Taps	2,000.00	8,000.00	(6,000.00)
Hook-ups	4,300.00	3,000.00	1,300.00
Reconnect Fees	726.10	400.00	326.10
Reimbursements	9,107.96	120.00	8,987.96
Late Charges	4,487.55	100.00	4,387.55
Miscellaneous	511.19	100.00	411.19
Transfer Fees	400.00	-	400.00
	<u>317,631.38</u>	<u>\$ 364,960.00</u>	<u>\$ (47,328.62)</u>
Expenditures:			
Personal Services	27,270.42	67,000.00	(39,729.58)
Contractual Services	176,804.19	142,000.00	34,804.19
Commodities	11,958.19	34,000.00	(22,041.81)
Capital Outlay	-	64,489.00	(64,489.00)
Non-Operating - Sales Tax	4,648.76	4,500.00	148.76
Miscellaneous	1,935.34	-	1,935.34
Transfer to Bond & Interest Fund	84,387.00	84,387.00	-
	<u>307,003.90</u>	<u>\$ 396,376.00</u>	<u>\$ (89,372.10)</u>
Cash Receipts Over (Under) Expenditures	10,627.48		
Unencumbered Cash, Beginning	<u>25,677.42</u>		
Unencumbered Cash, Ending	<u>\$ 36,304.90</u>		



CITY OF WESTMORELAND, KANSAS

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

April 25, 2013

Mayor and City Council  
City of Westmoreland  
Westmoreland, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Westmoreland, Kansas, as of and for the year ended December 31, 2012 and the related notes to the financial statement, and have issued our report thereon dated April 25, 2013.

Internal Control Over Financial Reporting

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Westmoreland, Kansas' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### 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 of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purposes.



James L. Gordon

James Gordon & Associates CPA, P.A.