

CITY OF OTTAWA, KANSAS

Financial Statements

For the Year Ended December 31, 2012

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CITY OF OTTAWA, KANSAS
 Financial Statements
 For the Year Ended December 31, 2012
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MIZE & HOUSER
COMPANY P.A.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Mayor and City Commissioners
City of Ottawa, Kansas

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 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.

www.mizehouser.com ■ mhco@mizehouser.com

534 S Kansas Ave, Suite 700 ■ Topeka, KS 66603-3465 ■ 785.233.0536 p ■ 785.233.1078 f

534 S Kansas Ave, Suite 400 ■ Topeka, KS 66603-3454 ■ 785.234.5573 p ■ 785.234.1037 f

7101 College Blvd, Suite 900 ■ Overland Park, KS 66210-1984 ■ 913.451.1882 p ■ 913.451.2211 f

211 E Eighth Suite A ■ Lawrence, KS 66044-2771 ■ 785.842.8844 p ■ 785.842.9049 f

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of receipts and expenditures-agency funds and the schedule of receipts and expenditures-related municipal entity (Schedules 1, 2, 3 and 4) as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. The accompanying schedule of expenditures of federal awards 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 not a required part of the 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 Matter

The financial statements of the City of Ottawa, Kansas, as of December 31, 2011, were audited by other auditors whose report dated May 15, 2012 expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unqualified opinion as to presentation on the Kansas prescribed basis of accounting. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2011. Such information does not include all of the information required for a presentation in conformity with the Kansas regulatory basis of accounting. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2011.

Mike Houser: Company PA

July 29, 2013

CITY OF OTTAWA, KANSAS

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

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Period Adjustment</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add: Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:							
General Funds:							
General Fund	\$ 1,076,425	\$ -	\$ 8,623,527	\$ 8,711,120	\$ 988,832	\$ 205,228	\$ 1,194,060
Special Purpose Funds:							
Community Services Support Fund	5,252	-	136,000	139,404	1,848	-	1,848
Municipal Auditorium Fund	20,558	-	170,484	155,461	35,581	4,984	40,565
Airport Fund	4,865	-	82,000	84,830	2,035	18,894	20,929
Special Park and Recreation Fund	83,496	-	42,725	49,397	76,824	-	76,824
Special Alcohol Program Fund	-	-	24,356	24,356	-	-	-
Library Fund	-	-	728,159	728,159	-	-	-
Economic Development Fund	130,334	-	24,722	38,355	116,701	948	117,649
Special Streets Fund	91,339	-	504,767	533,054	63,052	-	63,052
Electric Power Supply Fund	929,833	-	411,021	363,331	977,523	-	977,523
Equipment Reserve Fund	1,175,842	-	278,160	717,150	736,852	-	736,852
Revolving Loan Fund	146,885	-	21,247	-	168,132	-	168,132
Risk Management Fund	290,722	-	685,068	725,170	250,620	388	251,008
Domestic Violence Grant Fund	-	-	894	894	-	-	-
Debt Service Funds:							
Bond and Interest Fund	533,193	-	759,347	781,200	511,340	-	511,340
WWTP Funding Fund	552,034	-	755,224	722,055	585,203	-	585,203
Capital Project Funds	2,318,930	-	5,092,595	5,623,903	1,787,622	-	1,787,622
Business Funds:							
Water Utility Fund	736,701	-	2,735,569	2,623,145	849,125	60,716	909,841
Wastewater Utility Fund	662,831	-	2,402,891	2,211,884	853,838	31,047	884,885
Electric Utility Fund	3,605,962	-	15,500,116	15,454,685	3,651,393	539,309	4,190,702
Utility Credit Fund	21,231	118,752	-	27,756	112,227	-	112,227
Health Insurance Fund	1,584,848	-	2,417,945	2,110,425	1,892,368	-	1,892,368
Total primary government	13,971,281	118,752	41,396,817	41,825,734	13,661,116	861,514	14,522,630
Related Municipal Entities:							
Ottawa Library	206,137	-	827,662	795,096	238,703	24,113	262,816
Total reporting entity (excluding agency funds)	\$ 14,177,418	\$ 118,752	\$ 42,224,479	\$ 42,620,830	\$ 13,899,819	\$ 885,627	\$ 14,785,446

Composition of Cash:

Kansas State Bank	
Checking	\$ 2,041,123
Money Market	5,772,157
Bond Account	1,521,307
Peoples Bank	
Checking	18,857
Great Southern Bank	
Checking	85,308
Certificate of Deposit Account Registry Service	2,500,000
Arvest Bank	
Certificate of Deposit	2,700,000
Petty Cash	840
Ottawa Library - Checking	5,951
Ottawa Library - Money Market	48,262
Ottawa Library - Equity Investments	208,406
Ottawa Library - Petty Cash	197
Total Cash	14,902,408
Less: Agency Funds per Schedule 3	[116,962]
Total Reporting Entity	\$ 14,785,446

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

CITY OF OTTAWA, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2012

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Ottawa, founded in 1864 and incorporated in 1866, is governed by a city manager form of government with an elected five-member commission. The commission annually selects a Mayor from its ranks to serve a one-year term.

These financial statements present the City (the primary government) and its related municipal entity, an entity for which the government is considered to be financially accountable. The City's related municipal entity is the Ottawa Library.

The Ottawa Library provides library services to the area. The seven-member Library board is appointed by the City. The City appropriates and distributes tax monies to the Library. The Library's 2012 financial statements have been included as Schedule 4 of the City's financial statements.

Complete financial statements for the individual related municipal entity may be obtained at the entity's administrative offices located at 101 South Hickory, Ottawa, Kansas.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting Guide* (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.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts (except as noted), cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements. Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

CITY OF OTTAWA, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Regulatory Basis Fund Types

In governmental accounting, 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 for the year ended December 31, 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.

Debt Service Fund - used to account for the accumulation of cash for, and the payment of, principal, interest and other related costs of the City's general obligation bonds.

Capital Projects 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.)

Agency Funds - to account for assets held by the City as an agent for individuals, other governmental units, private organizations, and/or other funds. Agency funds are custodial in nature and do not involve measurement of operations.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. 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 of the proposed budget and notice of public hearing on the budget on or before August 5th.
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 City Commission 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. The 2012 budget was amended for the Airport and the Special Streets Funds.

The statutes permit transferring budgeted amounts between accounts 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 statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

CITY OF OTTAWA, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

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. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, agency funds, and the following funds:

Domestic Violence Grant Fund
Utility Credit Fund
Health Insurance Fund

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

Ad Valorem Tax Revenues

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied as of November 1 and become a lien on the property as of that date. Payments are due November 1 and become delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the City, is on or before January 20 of the ensuing year. Additional amounts are distributed on four (4) subsequent dates throughout the calendar year.

NOTE 2 - Deposits

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

Investments. 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, except during designated "peak periods" when required coverage is 50%. The City has no designated "peak periods". All deposits were legally secured at December 31, 2012.

CITY OF OTTAWA, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - Deposits (Continued)

At December 31, 2012, the City's carrying amount of deposits was \$14,639,591 and the bank balance was \$15,143,978. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$773,342 was covered by federal depository insurance and the balance of \$14,370,636 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

The related municipal entity's carrying amount of deposits was \$54,410 and the bank balance was \$75,894. The difference between the bank balance and the carrying amount is the outstanding checks and deposits. Of the bank balance \$75,894 was covered by federal depository insurance. The related municipal entity also has investments in mutual funds under a 501 (c) 3 not for profit with a carrying value of \$208,406 and a market value of \$230,156.

NOTE 3 - Retirement Plan

Plan description - The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Fireman's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by Kansas statutes (KSA 74-4901 et seq). KPERS and KP&F provide retirement benefits, life insurance, disability income benefits and death benefits. Kansas law established and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to 611 South Kansas Ave., Suite 100, Topeka, Kansas 66603 or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 and K.S.A. 74-4921 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 of 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 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 and KP&F are funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The City employer contributions to KPERS for the years ending December 31, 2012, 2011 and 2010 were \$410,737, \$333,870, and \$301,384, respectively, equal to the required contributions for each year. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which are determined separately for each participating employer. The City's contributions to KP&F for the years ended December 31, 2012, 2011, and 2010 were \$426,456, \$374,095, and \$328,949, respectively, equal to the required contributions for each year.

CITY OF OTTAWA, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2012

NOTE 4 - Long-Term Debt

Following is a detailed listing of the City's outstanding general obligation debt:

<u>General Obligation Bonds</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Final Maturity</u>
Series 2007	4.00 - 6.00%	\$ 9,380,000	9,900,000	08/18/07	10/01/28
Series 2009	3.50 - 4.10%	915,000	1,065,000	08/01/09	10/01/24
Series 2009A	3.00 - 4.20%	2,155,000	2,345,000	11/20/09	10/01/29
Series 2010A	2.00 - 3.30%	2,310,000	2,645,000	07/15/10	10/01/21
Series 2010B	3.00 - 3.625%	2,840,000	3,295,000	12/15/10	10/01/23
Series 2012A	0.55 - 2.30%	790,000	840,000	03/15/12	10/01/23
Series 2012B	0.75 - 2.65%	<u>805,000</u>	825,000	03/15/12	10/01/21
Total		<u>\$ 19,195,000</u>			

Annual debt service requirements to maturity for the general obligation bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,090,000	\$ 710,701	\$ 1,800,701
2014	1,250,000	683,476	1,933,476
2015	1,330,000	649,451	1,979,451
2016	1,240,000	609,324	1,849,324
2017	1,285,000	569,161	1,854,161
2018 - 2022	6,890,000	2,027,629	8,917,629
2023-2027	4,925,000	804,398	5,729,398
2028-2029	<u>1,185,000</u>	<u>55,568</u>	<u>1,240,568</u>
Total	<u>\$ 19,195,000</u>	<u>\$ 6,109,708</u>	<u>\$ 25,304,708</u>

The City issued Series 2012A general obligation bonds in the amount of \$840,000 on March 15, 2012 to provide permanent financing for the City's General Obligation Renewal Temporary Notes, Series 2011A, which were issued to pay for the cost of certain municipal airport improvements consisting of the construction of a new 11,200 square foot hangar. The interest rate on the bonds is 0.55 to 2.30% and has a final maturity of October 1, 2023.

CITY OF OTTAWA, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2012

NOTE 4 - Long-Term Debt (Continued)

The City issued Series 2012B general obligation refunding bonds in the amount of \$825,000 on March 15, 2012 to provide advanced refunding in the amount of \$745,000 of the outstanding balance of the City's general obligation bonds, Series 2003. The interest rate on the bonds is 0.75 to 2.65% and has a final maturity of October 1, 2021. The net proceeds were used to establish an escrow account invested in U.S. Government Securities to pay the outstanding principal of the Series 2003 general obligation bonds and the interest due on the refunding general obligation bonds. As a result, the Series 2003 bonds were considered to be defeased and the liability for the defeased bonds has been removed from the City's financial statements. The transaction resulted in an economic gain of \$51,511 and a reduction of \$46,793 in future debt payments.

Defeasance of Debt

In the current year, the City defeased certain outstanding debt obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account and the defeased bonds are not included in the City's financial statements.

At December 31, 2012, the following outstanding bonds are considered defeased:

General Obligation Bonds Series 2003	<u>\$ 695,000</u>
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Loans. Loans outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Final Maturity</u>
Water Supply Line	3.79%	\$ 869,468	\$ 989,003	04/05/10	02/01/30
Wastewater Treatment Improvements	3.06%	<u>7,206,394</u>	10,823,459	02/07/05	03/01/25
Total		<u>\$ 8,075,862</u>			

The loan debt service requirements to maturity for the water supply line are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 35,804	\$ 32,617	\$ 68,421
2014	37,174	31,247	68,421
2015	38,596	29,825	68,421
2016	40,073	28,348	68,421
2017	41,606	26,815	68,421
2018 - 2022	233,161	108,944	342,105
2023-2027	281,310	60,795	342,105
2028-2030	<u>161,742</u>	<u>9,310</u>	<u>171,053</u>
Total	<u>\$ 869,468</u>	<u>\$ 327,900</u>	<u>\$ 1,197,368</u>

CITY OF OTTAWA, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2012

NOTE 4 - Long-Term Debt (Continued)

The loan debt service requirements to maturity for the wastewater treatment improvements are as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 505,376	\$ 198,976	\$ 704,352
2014	520,959	184,667	705,626
2015	537,022	169,916	706,938
2016	553,581	154,710	708,291
2017	570,650	139,035	709,685
2018 - 2022	3,128,287	442,610	3,570,897
2023-2024	<u>1,390,519</u>	<u>49,213</u>	<u>1,439,732</u>
 Total	 <u>\$ 7,206,394</u>	 <u>\$ 1,339,127</u>	 <u>\$ 8,545,521</u>

The City has entered into an agreement for a Kansas Water Pollution Control Loan for the East Side Interceptor project. Draws on the project are authorized up to \$4,707,513. As of December 31, 2012, no draws have been made.

The City has entered into lease agreements as lessee for financing the acquisition of equipment. The following is information regarding these leases:

<u>Capital Leases</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Final Maturity</u>
2008 Platform Fire Truck	5.48%	\$ 583,367	\$ 732,564	01/05/09	01/10/14
2009 Grasshopper Mowers	3.85%	7,158	32,362	12/01/09	11/01/13
2010 GMC Sweeper	3.25%	125,853	220,864	10/12/10	03/10/13
2011 Case Wheel Loader	3.14%	<u>81,447</u>	113,665	07/08/11	07/10/16
		 <u>\$ 797,825</u>			

The debt service requirements to maturity are as follows:

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 111,061	\$ 34,637	\$ 145,697
2014	615,532	6,061	621,593
2015	59,041	25,373	84,414
2016	<u>12,191</u>	<u>110</u>	<u>12,301</u>
	 <u>\$ 797,825</u>	 <u>\$ 66,180</u>	 <u>\$ 864,005</u>

CITY OF OTTAWA, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2012

NOTE 4 - Long-Term Debt (Continued)

Following is a summary of changes in long-term debt for the year ended December 31, 2012:

<u>Type of Issue</u>	Beginning		Restated	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
	Principal Outstanding	Restatement	Beginning Principal Outstanding			
General Obligation Bonds	\$ 19,170,000	\$ -	\$ 19,170,000	\$ 1,665,000	\$ 1,640,000	\$ 19,195,000
Loans	8,684,468	[83,862]	8,600,606	-	524,744	8,075,862
Temporary Notes	840,000	-	840,000	-	840,000	-
Capital Leases	922,731	[8,141]	914,590	-	116,765	797,825
Total	\$ 29,617,199	\$ [92,003]	\$ 29,525,196	\$ 1,665,000	\$ 3,121,509	\$ 28,068,687

The City is subject to the municipal finance law of the State of Kansas which limits the net bonded debt the City may have outstanding up to 30 percent of the assessed value of all tangible personal property within the City, as certified to the County Clerk on the proceeding August 25. At December 31, 2012, the statutory limit for the City was \$26,975,835, providing a debt margin of \$19,480,835.

The City has entered into several conduit debt arrangements wherein the City issues industrial revenue bonds to finance a portion of the construction of facilities by private enterprises. In return, the private enterprises have executed mortgage notes or leases with the City. The City is not responsible for payment of the original bonds, but rather the debt is secured only by the cash payments agreed to be paid by the private enterprises under the terms of the mortgage or lease agreements. Generally, the conduit debt is arranged so that payments required by the private enterprises are equal to the mortgage payment schedule related to the original debt. At December 31, 2012, total outstanding conduit debt was \$4,915,000.

NOTE 5 - Compensated Absences

The City's policies regarding vacation and sick pay permit employees to accumulate a maximum of 30 days vacation pay and 120 days of sick pay. Policies prohibit payment of vacation time in lieu of time-off and restricts sick pay compensation to a maximum of 60 days on date of employment termination. Unpaid vacation pay and unpaid sick pay amounts are not accrued in these financial statements. At December 31, 2012, the City estimates the total accumulated vacation and unpaid sick pay amounted to \$564,799 and \$726,811, respectively.

NOTE 6 - Capital Projects

Capital projects often extend over two or more fiscal years. The following is a schedule, which compares the project authorization to total project expenditures from project inception to December 31, 2012:

<u>Project Name</u>	Project	Project
	<u>Authorization</u>	<u>Expenditures</u>
Neighborhood Stabilization	\$ 229,677	\$ 6,964
Eastside Interceptor	4,707,513	216,907
Davis Road/K68 Intersection Project	1,461,000	49,833
Levee Improvement	307,440	130,096
Airport Airspace Protection	19,000	15,304

CITY OF OTTAWA, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2012

NOTE 7 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan ("Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the Plan are transferred to a third-party custodial trust.

NOTE 8 - Flexible Benefit Plan (I.R.C. Section 125)

The City Commission has adopted by resolution a salary-reduction flexible benefit plan ("Plan") under Section 125 of the Internal Revenue Code. All full time City employees are eligible to participate in the Plan. Each participant may elect to reduce his or her salary to purchase benefits offered through the Plan. Currently, all benefits offered through the Plan involve insurance coverage, unreimbursed medical care and dependent care assistance.

NOTE 9 - 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. The City carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Employee Health Care. The City has established a program to pay medical claims of covered current and former City employees and additional health insurance premiums. Liabilities are reported when it is probable that claims have been incurred and the amount of the liability can be reasonably estimated. An excess coverage insurance policy covers individual claims over a certain amount. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated by the plan administrator and are expected to be liquidated with expendable available financial resources.

	<u>2012</u>	<u>2011</u>
Unpaid claims, January 1	\$ 129,340	\$ 46,006
Incurred claims (including IBNRs)	1,612,815	2,360,416
Claim payments	<u>[1,597,441]</u>	<u>[2,277,082]</u>
Unpaid claims, December 31	<u>\$ 144,714</u>	<u>\$ 129,340</u>

Note 10 - Other Post Employment Benefits

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes 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 government under this program.

NOTE 11 - Contingencies

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable

CITY OF OTTAWA, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2012

NOTE 11 – Contingencies (Continued)

funds. However, in the opinion of management, any such disallowed claims would not have a material effect on any of the financial statements of the City at December 31, 2012.

NOTE 12 - Related Party Transactions

The City paid \$7,355 during the year ended December 31, 2012, for printing services, to a company owned by a city commissioner.

NOTE 13 - Interfund Transfers

A reconciliation of transfers by fund type for 2012 follows:

<u>Fund</u>	<u>To</u>	<u>From</u>
General	\$ 1,824,356	\$ 362,000
Community Services Support	136,000	-
Airport	82,000	-
Special Alcohol Program	-	24,356
Special Streets	-	57,391
Electric Power Supply	-	50,000
Equipment Reserve	235,602	-
Risk Management	558,730	-
Bond and Interest	104,000	45,488
WWTP Funding	755,000	-
Capital Project	534,208	333,161
Water Utility	68,000	729,678
Wastewater Utility	68,000	1,049,428
Electric Utility	<u>188,000</u>	<u>1,902,394</u>
 Total	 <u>\$ 4,553,896</u>	 <u>\$ 4,553,896</u>

NOTE 14 – Statutory Violation

The following funds reported negative unencumbered cash balances, which is a violation of K.S.A. 10-1113: East Side Interceptor Fund and the Davis Road Project Fund.

NOTE 15 – Restated Beginning Unencumbered Cash

Beginning Unencumbered Cash	\$ 21,231
Adjustment for Amounts Incorrectly Recorded as Accounts Payable	<u>118,752</u>
Beginning Unencumbered Cash, Restated	<u>\$ 139,983</u>

SCHEDULE 1

CITY OF OTTAWA, KANSAS

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

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over [Under]</u>
Governmental Type Funds:					
General Funds:					
General Fund	\$ 10,302,938	\$ -	\$ 10,302,938	\$ 8,711,120	\$ 1,591,818
Special Purpose Funds:					
Community Services Support Fund	140,520	-	140,520	139,404	1,116
Municipal Auditorium Fund	183,576	-	183,576	155,461	28,115
Airport Fund	108,565	-	108,565	84,830	23,735
Special Park and Recreation Fund	82,786	-	82,786	49,397	33,389
Special Alcohol Program Fund	26,308	-	26,308	24,356	1,952
Library Fund	756,582	-	756,582	728,159	28,423
Economic Development Fund	187,166	-	187,166	38,355	148,811
Special Streets Fund	692,503	-	692,503	533,054	159,449
Electric Power Supply Fund	1,248,599	-	1,248,599	363,331	885,268
Equipment Reserve Fund	1,642,626	-	1,642,626	717,150	925,476
Revolving Loan Fund	245,947	-	245,947	-	245,947
Risk Management Fund	1,037,829	-	1,037,829	725,170	312,659
Debt Service Funds:					
Bond and Interest Fund	1,774,115	-	1,774,115	781,200	992,915
WWTP Funding Fund	1,300,887	-	1,300,887	722,055	578,832
Business Funds:					
Water Utility Fund	3,240,150	-	3,240,150	2,623,145	617,005
Wastewater Utility Fund	3,112,313	-	3,112,313	2,211,884	900,429
Electric Utility Fund	19,303,933	-	19,303,933	15,454,685	3,849,248

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

General Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes and Shared Revenue:				
Ad valorem property tax	\$ 2,027,692	\$ 2,091,885	\$ 2,169,829	\$ [77,944]
Back tax collections	132,527	87,257	133,000	[45,743]
Vehicle taxes	214,118	222,774	221,125	1,649
Local sales	2,104,025	2,120,169	2,075,369	44,800
County sales	945,947	952,539	900,000	52,539
Other taxes	795,378	707,909	807,078	[99,169]
Intergovernmental	58,434	58,474	30,000	28,474
Licenses, permits and fees	494,298	466,222	613,018	[146,796]
Charges and services	17,400	40,592	63,500	[22,908]
Leases and rentals	6,001	2	11,400	[11,398]
Interest	36,967	14,602	100,000	[85,398]
Miscellaneous	7,087	7,805	40,000	[32,195]
Refunds and reimbursements	92,153	28,941	280,000	[251,059]
Transfer in	1,739,565	1,824,356	1,820,000	4,356
Total Cash Receipts	<u>8,671,592</u>	<u>8,623,527</u>	<u>\$ 9,264,319</u>	<u>\$ [640,792]</u>
Expenditures				
City commission and manager	198,247	212,648	\$ 219,421	\$ 6,773
City administration	398,461	404,414	416,135	11,721
Nonoperating	301,524	323,368	476,697	153,329
Planning	426,805	450,781	481,637	30,856
Flood control	16,935	39,086	51,500	12,414
Fleet management	141,533	130,477	134,850	4,373
Parks	272,982	259,049	309,090	50,041
Police department	1,986,961	1,985,403	2,139,904	154,501
Fire department	1,065,380	1,111,206	1,125,863	14,657
Public works	831,960	751,795	905,328	153,533
Highland cemetery	95,356	102,350	110,994	8,644
Human resources	146,623	165,052	172,562	7,510
Municipal court	153,251	156,122	163,807	7,685
Employee benefits	2,001,907	2,063,545	1,975,906	[87,639]
IT department	187,085	193,824	205,146	11,322
Contingency reserve	5,833	-	-	-
Miscellaneous	666	-	710,898	710,898
Transfer out	524,250	362,000	703,200	341,200
Total Expenditures	<u>8,755,759</u>	<u>8,711,120</u>	<u>\$ 10,302,938</u>	<u>\$ 1,591,818</u>
Receipts Over [Under] Expenditures	[84,167]	[87,593]		
Unencumbered Cash, Beginning	<u>1,160,592</u>	<u>1,076,425</u>		
Unencumbered Cash, Ending	<u>\$ 1,076,425</u>	<u>\$ 988,832</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Community Services Support Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Transfer in	\$ 132,500	\$ 136,000	\$ 138,000	\$ [2,000]
Donations	754	-	-	-
Refunds and reimbursements	270	-	-	-
Total Cash Receipts	<u>133,524</u>	<u>136,000</u>	<u>\$ 138,000</u>	<u>\$ [2,000]</u>
Expenditures				
Contractual services	131,475	139,084	\$ 140,520	\$ 1,436
Contingency	-	320	-	[320]
Total Expenditures	<u>131,475</u>	<u>139,404</u>	<u>\$ 140,520</u>	<u>\$ 1,116</u>
Receipts Over [Under] Expenditures	2,049	[3,404]		
Unencumbered Cash, Beginning	<u>3,203</u>	<u>5,252</u>		
Unencumbered Cash, Ending	<u>\$ 5,252</u>	<u>\$ 1,848</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Municipal Auditorium Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	
Cash Receipts				
Taxes				
Ad valorem property tax	\$ 87,058	\$ 111,072	\$ 115,306	\$ [4,234]
Back tax collections	5,777	3,916	6,365	[2,449]
Vehicle taxes	8,715	9,545	9,489	56
Charges for services				
Auditorium rental	11,165	12,863	11,000	1,863
Concessions	2,431	3,675	5,464	[1,789]
Ticket sales	877	13,221	15,000	[1,779]
Interest	148	25	1,000	[975]
Donations	550	2,450	2,000	450
Reimbursements	10,700	13,256	400	12,856
Other	3	461	3,100	[2,639]
Total Cash Receipts	<u>127,424</u>	<u>170,484</u>	<u>\$ 169,124</u>	<u>\$ 1,360</u>
Expenditures				
Personal services	85,350	73,513	\$ 90,195	\$ 16,682
Contractual services	47,457	37,848	54,417	16,569
Commodities	2,914	5,070	5,518	448
Capital outlay	<u>2,395</u>	<u>39,030</u>	<u>33,446</u>	<u>[5,584]</u>
Total Expenditures	<u>138,116</u>	<u>155,461</u>	<u>\$ 183,576</u>	<u>\$ 28,115</u>
Receipts Over [Under] Expenditures	[10,692]	15,023		
Unencumbered Cash, Beginning	<u>31,250</u>	<u>20,558</u>		
Unencumbered Cash, Ending	<u>\$ 20,558</u>	<u>\$ 35,581</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Airport Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Reimbursements	\$ 1,750	\$ -	\$ 1,700	\$ [1,700]
Transfer in	75,142	82,000	102,000	[20,000]
Total Cash Receipts	<u>76,892</u>	<u>82,000</u>	<u>\$ 103,700</u>	<u>\$ [21,700]</u>
Expenditures				
Contractual services	75,698	66,599	\$ 71,091	\$ 4,492
Contingency	1,229	-	6,774	6,774
Commodities	-	18,231	30,700	12,469
Total Expenditures	<u>76,927</u>	<u>84,830</u>	<u>\$ 108,565</u>	<u>\$ 23,735</u>
Receipts Over [Under] Expenditures	[35]	[2,830]		
Unencumbered Cash, Beginning	<u>4,900</u>	<u>4,865</u>		
Unencumbered Cash, Ending	<u>\$ 4,865</u>	<u>\$ 2,035</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Special Park and Recreation Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Reimbursements	\$ 14,785	\$ 584	\$ -	\$ 584
Donations	23,083	17,640	-	17,640
Taxes				
Liquor selling tax	24,024	24,501	25,000	[499]
Total Cash Receipts	<u>61,892</u>	<u>42,725</u>	<u>\$ 25,000</u>	<u>\$ 17,725</u>
Expenditures				
Contractual services	12,985	13,226	\$ 4,500	\$ [8,726]
Commodities	17,362	-	3,000	3,000
Capital improvement	35,925	36,171	75,286	39,115
Total Expenditures	<u>66,272</u>	<u>49,397</u>	<u>\$ 82,786</u>	<u>\$ 33,389</u>
Receipts Over [Under] Expenditures	[4,380]	[6,672]		
Unencumbered Cash, Beginning	<u>87,876</u>	<u>83,496</u>		
Unencumbered Cash, Ending	<u>\$ 83,496</u>	<u>\$ 76,824</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Special Alcohol Program Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes				
Liquor selling tax	\$ 24,024	\$ 24,356	\$ 25,000	\$ [644]
Total Cash Receipts	<u>24,024</u>	<u>24,356</u>	<u>\$ 25,000</u>	<u>\$ [644]</u>
Expenditures				
Reserves	-	-	\$ 1,308	\$ 1,308
Transfer out	<u>24,024</u>	<u>24,356</u>	<u>25,000</u>	<u>644</u>
Total Expenditures	<u>24,024</u>	<u>24,356</u>	<u>\$ 26,308</u>	<u>\$ 1,952</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Library Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year <u>Actual</u>	Current Year		Variance Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes				
Ad valorem property tax	\$ 624,993	\$ 631,372	\$ 649,928	\$ [18,556]
Back tax collections	43,511	28,026	38,500	[10,474]
Vehicle taxes	<u>68,567</u>	<u>68,761</u>	<u>68,154</u>	<u>607</u>
Total Cash Receipts	<u>737,071</u>	<u>728,159</u>	<u>\$ 756,582</u>	<u>\$ [28,423]</u>
Expenditures				
Appropriations to Library Board	<u>737,071</u>	<u>728,159</u>	<u>\$ 756,582</u>	<u>\$ 28,423</u>
Total Expenditures	<u>737,071</u>	<u>728,159</u>	<u>\$ 756,582</u>	<u>\$ 28,423</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Economic Development Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Ad valorem property tax	\$ 342	\$ -	\$ -	\$ -
Interest	-	2,467	1,500	967
Reimbursements	14,520	8,445	3,000	5,445
Rental income	-	13,310	13,200	110
Sale of property	39,250	500	25,000	[24,500]
Total Cash Receipts	<u>54,112</u>	<u>24,722</u>	<u>\$ 42,700</u>	<u>\$ [17,978]</u>
Expenditures				
Contractual services	40,982	38,355	\$ 177,166	\$ 138,811
Contingency reserve	1,990	-	10,000	10,000
Refunds	30	-	-	-
Total Expenditures	<u>43,002</u>	<u>38,355</u>	<u>\$ 187,166</u>	<u>\$ 148,811</u>
Receipts Over [Under] Expenditures	11,110	[13,633]		
Unencumbered Cash, Beginning	<u>119,224</u>	<u>130,334</u>		
Unencumbered Cash, Ending	<u>\$ 130,334</u>	<u>\$ 116,701</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Special Streets Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 333,189	\$ 327,314	\$ 327,314	\$ -
Charges for services	22,461	3,850	3,850	-
Reimbursements	13,853	173,603	270,000	[96,397]
Transfer in	18,996	-	-	-
Total Cash Receipts	<u>388,499</u>	<u>504,767</u>	<u>\$ 601,164</u>	<u>\$ [96,397]</u>
Expenditures				
Contractual services	3,375	5,311	\$ 5,000	\$ [311]
Commodities	28,686	25,917	33,000	7,083
Capital outlay	243,099	444,435	454,842	10,407
Contingency reserve	-	-	125,661	125,661
Transfer out	<u>237,783</u>	<u>57,391</u>	<u>74,000</u>	<u>16,609</u>
Total Expenditures	<u>512,943</u>	<u>533,054</u>	<u>\$ 692,503</u>	<u>\$ 159,449</u>
Receipts Over [Under] Expenditures	[124,444]	[28,287]		
Unencumbered Cash, Beginning	<u>215,783</u>	<u>91,339</u>		
Unencumbered Cash, Ending	<u>\$ 91,339</u>	<u>\$ 63,052</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Electric Power Supply Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year ended December 31, 2012
 (With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Reimbursements	\$ 410,640	\$ 410,640	\$ 410,640	\$ -
Interest	2,485	381	5,000	[4,619]
Total Cash Receipts	<u>413,125</u>	<u>411,021</u>	<u>\$ 415,640</u>	<u>\$ [4,619]</u>
Expenditures and Transfers Subject to Budget				
Contractual services	-	-	\$ 10,000	\$ 10,000
Debt service	210,941	312,331	312,331	-
Capital outlay	-	1,000	776,118	775,118
Miscellaneous	500	-	50,150	50,150
Transfer out	130,000	50,000	100,000	50,000
Total Expenditures and Transfers Subject to Budget	<u>341,441</u>	<u>363,331</u>	<u>\$ 1,248,599</u>	<u>\$ 885,268</u>
Receipts Over [Under] Expenditures	71,684	47,690		
Unencumbered Cash, Beginning	<u>858,149</u>	<u>929,833</u>		
Unencumbered Cash, Ending	<u>\$ 929,833</u>	<u>\$ 977,523</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Equipment Reserve Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	
Cash Receipts				
Interest	\$ 2,427	\$ 384	\$ 5,689	\$ [5,305]
Reimbursements	113,719	37,216	-	37,216
Grants	44,626	4,958	-	4,958
Miscellaneous	31,369	-	-	-
Transfer in	403,164	235,602	499,268	[263,666]
Total Cash Receipts	<u>595,305</u>	<u>278,160</u>	<u>\$ 504,957</u>	<u>\$ [226,797]</u>
Expenditures				
Capital outlay	<u>449,076</u>	<u>717,150</u>	<u>\$ 1,642,626</u>	<u>\$ 925,476</u>
Total Expenditures	<u>449,076</u>	<u>717,150</u>	<u>\$ 1,642,626</u>	<u>\$ 925,476</u>
Receipts Over [Under] Expenditures	146,229	[438,990]		
Unencumbered Cash, Beginning	<u>1,029,613</u>	<u>1,175,842</u>		
Unencumbered Cash, Ending	<u>\$ 1,175,842</u>	<u>\$ 736,852</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Revolving Loan Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Amounts for the Year ended December 31, 2011)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Lease payments	\$ 40,066	\$ 21,192	\$ -	\$ 21,192
Intergovernmental	-	-	21,191	[21,191]
Interest	325	55	600	[545]
Reimbursed expenses	-	-	76,986	[76,986]
Total Cash Receipts	<u>40,391</u>	<u>21,247</u>	<u>\$ 98,777</u>	<u>\$ [77,530]</u>
Expenditures				
Contractual services	-	-	\$ 245,947	\$ 245,947
Total Expenditures	-	-	<u>\$ 245,947</u>	<u>\$ 245,947</u>
Receipts Over [Under] Expenditures	40,391	21,247		
Unencumbered Cash, Beginning	<u>106,494</u>	<u>146,885</u>		
Unencumbered Cash, Ending	<u>\$ 146,885</u>	<u>\$ 168,132</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Risk Management Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Interest	\$ 736	\$ 70	\$ 2,558	\$ [2,488]
Miscellaneous	8,835	76,788	20,490	56,298
Reimbursements	32,048	49,480	31,000	18,480
Transfer in	<u>392,037</u>	<u>558,730</u>	<u>727,981</u>	<u>[169,251]</u>
Total Cash Receipts	<u>433,656</u>	<u>685,068</u>	<u>\$ 782,029</u>	<u>\$ [96,961]</u>
Expenditures				
Contractual services	398,498	716,551	\$ 776,659	\$ 60,108
Capital outlay	-	8,619	8,750	131
Commodities	22,692	-	236,670	236,670
Judgments and claims	<u>881</u>	<u>-</u>	<u>15,750</u>	<u>15,750</u>
Total Expenditures	<u>422,071</u>	<u>725,170</u>	<u>\$ 1,037,829</u>	<u>\$ 312,659</u>
Receipts Over [Under] Expenditures	11,585	[40,102]		
Unencumbered Cash, Beginning	<u>279,137</u>	<u>290,722</u>		
Unencumbered Cash, Ending	<u>\$ 290,722</u>	<u>\$ 250,620</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Domestic Violence Grant Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Years Ended December 31, 2012 and 2011

	<u>2011</u>	<u>2012</u>
Cash Receipts		
Grant	\$ 164,955	\$ 894
Total Cash Receipts	<u>164,955</u>	<u>894</u>
Expenditures		
Personal services	76,440	-
Contractual services	58,600	894
Commodities	8,982	-
Capital outlay	247	-
Miscellaneous	644	-
Transfers out	1,002	-
Total Expenditures	<u>145,915</u>	<u>894</u>
Receipts Over [Under] Expenditures	19,040	-
Unencumbered Cash, Beginning	<u>[19,040]</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

* - This fund is not required to be budgeted.

CITY OF OTTAWA, KANSAS

Bond and Interest Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes				
Ad valorem property tax	\$ 522,270	\$ 517,493	\$ 532,000	\$ [14,507]
Back tax collections	36,807	23,603	35,000	[11,397]
Vehicle taxes	57,308	57,460	56,949	511
Special assessments	99,847	52,108	74,000	[21,892]
Interest	1,164	314	4,000	[3,686]
Reimbursements	9,808	4,369	-	4,369
Transfer in	<u>380,000</u>	<u>104,000</u>	<u>778,428</u>	<u>[674,428]</u>
Total Cash Receipts	<u>1,107,204</u>	<u>759,347</u>	<u>\$ 1,480,377</u>	<u>\$ [721,030]</u>
Expenditures				
Principal	604,500	520,000	\$ 800,000	\$ 280,000
Interest	276,832	215,712	871,726	656,014
Transfers out	-	45,488	-	[45,488]
Miscellaneous	<u>1,544</u>	<u>-</u>	<u>102,389</u>	<u>102,389</u>
Total Expenditures	<u>882,876</u>	<u>781,200</u>	<u>\$ 1,774,115</u>	<u>\$ 992,915</u>
Receipts Over [Under] Expenditures	224,328	[21,853]		
Unencumbered Cash, Beginning	<u>308,865</u>	<u>533,193</u>		
Unencumbered Cash, Ending	<u>\$ 533,193</u>	<u>\$ 511,340</u>		

See independent auditor's report on the financial statements.

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CITY OF OTTAWA, KANSAS

WWTP Funding Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over [Negative]
		Actual	Budget	
Cash Receipts				
Interest	\$ 1,433	\$ 224	\$ 2,691	\$ [2,467]
Transfer in	770,999	755,000	760,000	[5,000]
Total Cash Receipts	<u>772,432</u>	<u>755,224</u>	<u>\$ 762,691</u>	<u>\$ [7,467]</u>
Expenditures				
Fees	20,140	18,938	\$ 19,144	\$ 206
Principal	479,469	490,259	495,601	5,342
Interest	226,379	212,858	215,177	2,319
Reserve	-	-	570,965	570,965
Total Expenditures	<u>725,988</u>	<u>722,055</u>	<u>\$ 1,300,887</u>	<u>\$ 578,832</u>
Receipts Over [Under] Expenditures	46,444	33,169		
Unencumbered Cash, Beginning	<u>505,590</u>	<u>552,034</u>		
Unencumbered Cash, Ending	<u>\$ 552,034</u>	<u>\$ 585,203</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Capital Project Funds
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Year December 31, 2011)

	Storm Water Utility	Trails Grant	Substation/ Electric Construction	Airport Hangars	US 59 Turnback	Loves Granger TIF	Sidewalk Grant 15th Street	South Highway 59 TDD
Cash Receipts								
Taxes - other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	4,359	4	-	-	-	2
Grants	-	-	-	22,720	1,639	-	-	-
Sale of bonds	-	-	-	1,665,987	-	-	-	-
Sale of temporary notes	-	-	-	-	-	-	-	-
Reimbursements & miscellaneous	-	-	-	-	-	-	-	-
Transfer in	10,000	-	-	72,438	-	349,492	186,511	26,285
Total Cash Receipts	10,000	-	4,359	1,761,149	1,639	349,492	242,944	26,287
Expenditures								
Contractual services	8,967	-	-	73,642	-	7,727	7,241	-
Commodities	-	-	-	-	-	2,500	-	-
Capital expenditure	-	-	-	27,608	-	-	-	-
Capital improvements	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Principal	-	-	155,000	6,055	-	-	-	-
Interest	-	-	431,713	840,000	-	-	-	-
Cost of issuance	-	-	-	825,000	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Transfer out	-	-	-	9,161	-	324,000	-	-
Total Expenditures	8,967	-	586,713	1,781,466	-	334,227	7,241	-
Receipts Over [Under] Expenditures	1,033	-	[582,354]	[20,317]	1,639	15,265	235,703	26,287
Unencumbered Cash, Beginning	-	3,000	2,569,011	20,317	[1,639]	-	[235,703]	-
Unencumbered Cash, Ending	\$ 1,033	\$ 3,000	\$ 1,986,657	\$ -	\$ -	\$ 15,265	\$ -	\$ 26,287

* - These funds are not required to be budgeted.

East Side Interceptor	TIF Project Fund	Davis Rd Project	Sidewalk Improvement Project	Swimming Pool Improvements	Neighborhood Stabilization Grant	Levee Improvement	Airport Improvement Grants	For the Year Ended December 31,	
								2012	2011
\$ -	\$ 19,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,957	\$ 2,588
-	4	-	-	-	-	-	1	4,370	19,985
-	-	-	-	-	4,965	-	2,250,055	2,279,379	730,027
-	-	-	-	-	-	-	-	1,665,987	-
-	-	-	-	-	-	-	-	-	823,428
-	-	-	23,906	2,500	-	-	-	588,694	48,798
-	-	-	958	-	2,000	130,096	262,283	534,208	462,695
-	19,961	-	24,864	2,500	6,965	130,096	2,512,339	5,092,595	2,087,521
167,529	-	38,731	24,864	2,096	6,965	130,096	191,082	658,940	1,590,394
-	-	-	-	-	-	-	-	2,500	88,665
18,892	10,308	11,102	-	-	-	-	-	67,910	293,337
-	-	-	-	-	-	-	-	-	255,862
-	-	-	-	-	-	-	2,303,624	2,303,624	577,663
-	-	-	-	-	-	-	-	161,055	-
-	-	-	-	-	-	-	-	1,271,713	-
-	-	-	-	-	-	-	-	825,000	-
-	-	-	-	-	-	-	-	-	3,914
-	-	-	-	-	-	-	-	333,161	3,583
186,421	10,308	49,833	24,864	2,096	6,965	130,096	2,494,706	5,623,903	2,813,418
[186,421]	9,653	[49,833]	-	404	-	-	17,633	[531,308]	[725,897]
[30,486]	2,901	-	-	-	-	-	[8,471]	2,318,930	3,044,827
\$ [216,907]	\$ 12,554	\$ [49,833]	\$ -	\$ 404	\$ -	\$ -	\$ 9,162	\$ 1,787,622	\$ 2,318,930

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Water Utility Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	
Cash Receipts				
Water sales	\$ 2,532,388	2,633,834	\$ 2,545,925	\$ 87,909
Lease and rentals	17,303	15,972	14,250	1,722
Miscellaneous and reimbursements	16,021	3,999	40,205	[36,206]
Interest	1,675	280	5,000	[4,720]
Other	12,683	13,484	13,000	484
Transfer in	-	68,000	-	68,000
Total Cash Receipts	<u>2,580,070</u>	<u>2,735,569</u>	<u>\$ 2,618,380</u>	<u>\$ 117,189</u>
Expenditures				
Water Production				
Personal services	499,931	550,983	\$ 572,649	\$ 21,666
Contractual services	70,648	74,876	115,150	40,274
Commodities	175,164	185,369	199,800	14,431
Capital outlay	24,485	135,808	151,228	15,420
Water Distribution				
Personal services	358,301	415,167	468,750	53,583
Contractual services	84,270	128,414	96,638	[31,776]
Commodities	92,256	117,682	140,175	22,493
Capital improvement	90,301	168,313	182,100	13,787
Non-operating				
Contractual services	3,291	-	-	-
Debt service	114,476	116,855	118,421	1,566
Reserves	47,750	-	-	-
Transfer out	745,916	729,678	1,195,239	465,561
Total Expenditures	<u>2,306,789</u>	<u>2,623,145</u>	<u>\$ 3,240,150</u>	<u>\$ 617,005</u>
Receipts Over [Under] Expenditures	273,281	112,424		
Unencumbered Cash, Beginning	<u>463,420</u>	<u>736,701</u>		
Unencumbered Cash, Ending	<u>\$ 736,701</u>	<u>\$ 849,125</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Wastewater Utility Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 2,275,231	\$ 2,333,179	\$ 2,357,850	\$ [24,671]
Interest	2,247	278	7,292	[7,014]
Refunds and reimbursements	2,242	1,434	10,000	[8,566]
Transfer in	-	68,000	-	68,000
Miscellaneous	50	-	3,000	[3,000]
Total Cash Receipts	<u>2,279,770</u>	<u>2,402,891</u>	<u>\$ 2,378,142</u>	<u>\$ 24,749</u>
Expenditures				
Wastewater Treatment				
Personal services	367,637	376,705	\$ 387,154	\$ 10,449
Contractual services	314,289	303,625	381,086	77,461
Commodities	49,654	40,601	57,800	17,199
Capital outlay	7,515	17,078	5,614	[11,464]
Capital improvements	-	-	5,000	5,000
Wastewater Collection				
Personal services	182,509	189,559	228,987	39,428
Contractual services	12,163	15,197	43,691	28,494
Commodities	109,432	132,210	88,200	[44,010]
Capital outlay	-	2,000	2,307	307
Capital improvements	112,786	85,481	300,000	214,519
Non-operating				
Contractual services	4,573	-	-	-
Debt service	-	-	26,000	26,000
Reserves	4,750	-	495,584	495,584
Transfer out	1,249,305	1,049,428	1,090,890	41,462
Total Expenditures	<u>2,414,613</u>	<u>2,211,884</u>	<u>\$ 3,112,313</u>	<u>\$ 900,429</u>
Receipts Over [Under] Expenditures	[134,843]	191,007		
Unencumbered Cash, Beginning	<u>797,674</u>	<u>662,831</u>		
Unencumbered Cash, Ending	<u>\$ 662,831</u>	<u>\$ 853,838</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Electric Utility Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Amounts for the Year Ended December 31, 2011)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Electric sales	\$ 14,320,092	\$ 14,953,586	\$ 15,628,770	\$ [675,184]
Fines and fees	347,270	254,168	300,000	[45,832]
Reimbursed expenses	85,120	63,746	150,000	[86,254]
Interest	9,093	1,542	70,000	[68,458]
Other	52,760	39,074	145,000	[105,926]
Transfer in	-	188,000	-	188,000
Total Cash Receipts	<u>14,814,335</u>	<u>15,500,116</u>	<u>\$ 16,293,770</u>	<u>\$ [793,654]</u>
Expenditures				
Electric Production				
Personal services	895,408	954,348	\$ 954,443	\$ 95
Contractual services	304,118	1,014,204	854,400	[159,804]
Commodities	9,198,243	9,050,830	10,288,500	1,237,670
Capital outlay	192,419	360,399	475,035	114,636
Electric Distribution				
Personal services	749,810	785,264	798,256	12,992
Contractual services	65,398	59,586	93,620	34,034
Commodities	202,922	168,177	305,600	137,423
Capital improvement	-	89,718	222,000	132,282
Utility Warehouse				
Personal services	168,375	166,437	174,803	8,366
Contractual services	34,924	33,811	39,650	5,839
Commodities	6,128	5,513	9,100	3,587
Capital outlay	6,830	51,619	69,142	17,523
Utility Billing				
Personal services	481,081	514,163	514,527	364
Contractual services	216,293	182,622	228,900	46,278
Commodities	31,805	27,938	36,400	8,462
Capital outlay	9,868	16,744	23,763	7,019
Non-operating				
Contractual services	18,477	70,918	-	[70,918]
Reserves	86,227	-	2,245,884	2,245,884
Transfer out	1,486,807	1,902,394	1,969,910	67,516
Total Expenditures	<u>14,155,133</u>	<u>15,454,685</u>	<u>\$ 19,303,933</u>	<u>\$ 3,849,248</u>
Receipts Over [Under] Expenditures	659,202	45,431		
Unencumbered Cash, Beginning	<u>2,946,760</u>	<u>3,605,962</u>		
Unencumbered Cash, Ending	<u>\$ 3,605,962</u>	<u>\$ 3,651,393</u>		

See independent auditor's report on the financial statements.

CITY OF OTTAWA, KANSAS

Utility Credit Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 Year Ended December 31, 2012 and 2011

	<u>2011</u>	<u>2012</u>
Cash Receipts		
Other income	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures		
Refunds	<u>3,452</u>	<u>27,756</u>
Total Expenditures	<u>3,452</u>	<u>27,756</u>
Receipts Over [Under] Expenditures	<u>[3,452]</u>	<u>[27,756]</u>
Unencumbered Cash, Beginning	24,683	21,231
Prior period adjustment	<u>-</u>	<u>118,752</u>
Unencumbered Cash, Beginning, Restated	<u>24,683</u>	<u>139,983</u>
Unencumbered Cash, Ending	<u>\$ 21,231</u>	<u>\$ 112,227</u>

* - This fund is not required to be budgeted.

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CITY OF OTTAWA, KANSAS

Health Insurance Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 Year Ended December 31, 2012 and 2011

	<u>2011</u>	<u>2012</u>
Cash Receipts		
Interest	\$ 8,219	\$ 3,377
Charges for services	<u>2,484,545</u>	<u>2,414,568</u>
Total Cash Receipts	<u>2,492,764</u>	<u>2,417,945</u>
Expenditures		
Cost of sales and services	<u>2,360,415</u>	<u>2,110,425</u>
Total Expenditures	<u>2,360,415</u>	<u>2,110,425</u>
Receipts Over [Under] Expenditures	132,349	307,520
Unencumbered Cash, Beginning	<u>1,452,499</u>	<u>1,584,848</u>
Unencumbered Cash, Ending	<u>\$ 1,584,848</u>	<u>\$ 1,892,368</u>

* - This fund is not required to be budgeted.

SCHEDULE 3

CITY OF OTTAWA, KANSAS

Agency Funds
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Year December 31, 2011)

	Revolving Line of Credit	Municipal Court Fines	Municipal Court Bonds	Municipal Court Alcohol & Drug
Cash Receipts				
Payments on loan	\$ 70,198	\$ -	\$ -	\$ -
Fines and court fees	-	373,000	35,083	60
Withholdings from payroll	-	-	-	-
Interest	-	71	-	7
Total Cash Receipts	<u>70,198</u>	<u>373,071</u>	<u>35,083</u>	<u>67</u>
Expenditures				
Payments to State	70,570	17,739	-	6,048
Payments to City	18,874	348,254	-	-
Restitution	-	6,263	-	-
Bond refunds	-	-	31,083	-
Cost of service	-	-	-	-
Total Expenditures	<u>89,444</u>	<u>372,256</u>	<u>31,083</u>	<u>6,048</u>
Receipts Over [Under] Expenditures	[19,246]	815	4,000	[5,981]
Unencumbered Cash, Beginning	<u>19,392</u>	<u>13,399</u>	<u>6,489</u>	<u>7,271</u>
Unencumbered Cash, Ending	<u>\$ 146</u>	<u>\$ 14,214</u>	<u>\$ 10,489</u>	<u>\$ 1,290</u>

* - These funds are not required to be budgeted.

Municipal Court Credit Card	Cafeteria Plan	Health Savings Account	Payroll	For the Year Ended December 31,	
				2012	2011
\$ -	\$ -	\$ -	\$ -	\$ 70,198	\$ 95,859
17,246	-	-	-	425,389	366,494
-	134,067	48,500	-	182,567	227,007
-	-	-	-	78	567
<u>17,246</u>	<u>134,067</u>	<u>48,500</u>	<u>-</u>	<u>678,232</u>	<u>689,927</u>
-	-	-	-	94,357	101,358
13,757	-	-	-	380,885	335,486
-	-	-	-	6,263	22,455
-	-	-	-	31,083	3,950
-	136,990	-	38	137,028	216,942
<u>13,757</u>	<u>136,990</u>	<u>-</u>	<u>38</u>	<u>649,616</u>	<u>680,191</u>
3,489	[2,923]	48,500	[38]	28,616	9,736
-	35,879	-	5,916	88,346	78,610
<u>\$ 3,489</u>	<u>\$ 32,956</u>	<u>\$ 48,500</u>	<u>\$ 5,878</u>	<u>\$ 116,962</u>	<u>\$ 88,346</u>

See independent auditor's report on the financial statements.

SCHEDULE 4

CITY OF OTTAWA, KANSAS

Schedule of Receipts and Expenditures - Actual*
 Related Municipal Entity - Ottawa Library
 Regulatory Basis
 Year Ended December 31, 2012 and 2011

	<u>2011</u>	<u>2012</u>
Cash Receipts		
Appropriation from the City	\$ 737,071	\$ 728,159
Interest	6,537	7,241
State aid	6,333	5,387
Grants	32,012	31,042
Contribution - endowment	7,325	8,274
Miscellaneous	30,257	30,566
Gain on investments	15,913	4,433
Transfer in	<u>195,250</u>	<u>12,560</u>
Total Cash Receipts	<u>1,030,698</u>	<u>827,662</u>
Expenditures and Transfers		
Salaries and benefits	575,266	552,651
Materials, program, and services	96,884	104,105
Operating	114,598	113,812
Capital improvements	66,293	1,399
Miscellaneous	11,675	10,569
Transfer out	<u>195,250</u>	<u>12,560</u>
Total Expenditures and Transfers	<u>1,059,966</u>	<u>795,096</u>
Receipts Over [Under] Expenditures	[29,268]	32,566
Unencumbered Cash, Beginning	<u>235,405</u>	<u>206,137</u>
Unencumbered Cash, Ending	<u>\$ 206,137</u>	<u>\$ 238,703</u>

* - This fund is not required to be budgeted.

CITY OF OTTAWA, KANSAS

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

Federal Grantor/Pass-Through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Energy</u>		
Passed Through Kansas Corporation Commission:		
Energy Efficiency and Conservation Block Grant Program	81.128	\$ <u>4,958</u>
Total U.S. Department of Energy		<u>4,958</u>
<u>U.S. Department of Transportation</u>		
Airport Improvement Program	20.106	<u>2,313,557</u>
Passed Through the Kansas Department of Transportation		
Highway Planning and Construction	20.205	242,944
State and Community Highway Safety	20.600	<u>5,314</u>
Total Passed Through the Kansas Department of Transportation		<u>248,258</u>
Total U.S. Department of of Transportation		<u>2,561,815</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed Through Kansas Department of Commerce		
Community Development Block Grants	14.218	<u>4,965</u>
Total U.S. Department of Housing and Urban Development		<u>4,965</u>
Total		<u>\$ 2,571,738</u>

The accompanying notes are an integral part of this schedule.

CITY OF OTTAWA, KANSAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of the City of Ottawa, Kansas. All expenditures of federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the Kansas regulatory basis of accounting which includes cash disbursements, accounts payable and encumbrances.

CITY OF OTTAWA, KANSAS

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified (Regulatory Basis) <u>Adverse (GAAP)</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> _____ No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> _____ No
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> _____ No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> _____ No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> _____ None reported
Type of auditor's report issued on compliance for major programs:	_____ <u>Unqualified</u> _____	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ Yes	_____ <u>X</u> _____ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs:	_____ <u>\$300,000</u> _____
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Auditee qualified as low-risk auditee?	_____ Yes	_____ <u>X</u> _____ No
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CITY OF OTTAWA, KANSAS

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

Section II - Financial Statement Findings

Current Year Findings

None Noted

Prior Year Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None Noted

Prior Year Findings

None Noted



MIZE & HOUSER
& COMPANY P.A.

**INDEPENDENT AUDITOR'S 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"**

Mayor and City Commission
City of Ottawa, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and the Kansas Municipal Audit and Accounting Guide issued by the Comptroller General of the United States, the financial statements of the City of Ottawa, Kansas (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated July 29, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal controls 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 financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

www.mizehouser.com ■ mhco@mizehouser.com
534 S Kansas Ave, Suite 700 ■ Topeka, KS 66603-3465 ■ 785.233.0536 p ■ 785.233.1078 f
534 S Kansas Ave, Suite 400 ■ Topeka, KS 66603-3454 ■ 785.234.5573 p ■ 785.234.1037 f
7101 College Blvd, Suite 900 ■ Overland Park, KS 66210-1984 ■ 913.451.1882 p ■ 913.451.2211 f
211 E Eighth Suite A ■ Lawrence, KS 66044-2771 ■ 785.842.8844 p ■ 785.842.9049 f

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are 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*.

However, we noted certain other matters that we reported to management of the City in a separate letter dated July 29, 2013.

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.

Mike Houser: Company PA

July 29, 2013



MIZE & HOUSER
COMPANY P.A.

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

Mayor and City Commission
City of Ottawa, Kansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Ottawa, Kansas (the City) 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's major federal programs for the year ended December 31, 2012. The City's major federal financial programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Kansas Municipal Audit and Accounting Guide. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

www.mizehouser.com ■ mhco@mizehouser.com

534 S Kansas Ave, Suite 700 ■ Topeka, KS 66603-3465 ■ 785.233.0536 p ■ 785.233.1078 f

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Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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's internal control over compliance.

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

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

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

Mike Houser: Company PA

July 29, 2013