

MINUTES OF THE REGULAR CITY COMMISSION MEETING HELD AUGUST 5, 2009

The governing body met in regular session on August 5, 2009, at 5:30 p.m. in the City Commission Room at City Hall, with the following members being present: Commissioners Hattan, Jindra, Johnson, Lanoue, and Hosie.

Absent: None.

Other Officers: Interim City Manager Uri, Finance Director Farha and City Clerk Crum.

Mayor Hattan declared that a quorum was present and called the meeting to order.

Visitors: Jessica LeDuc, Toby Nosker, Anthony Anderson Jr., Tony Anderson, Jim Stromberg, Kirk Lowell, Tina Barnett, Marcia Allen, Don Lanoue, Ron Deal, Patricia Gerhardt, Ron Copple, Don Dean, Bruce Johnson, Marvin Copple, Wade Carter, Larry Eubanks, Corinna Hood, Tom Tuggle, Ken Johnson, Neil Phillips.

Pastor Tina Barnett gave the invocation followed by the reciting of the Pledge of Allegiance.

Mayor Hattan asked for changes to the agenda. Commissioner Jindra asked for an executive session for non-elected personnel. Mayor Hattan suggested moving the Campbell & Johnson to follow the executive session.

APPROVAL OF MINUTES

APPROVED

Commissioner Lanoue requested that the minutes of the July 15 meeting be amended to reflect that the library had two separate requests of \$143,301 for the library appropriation and \$34,744 for library employee benefit funds.

Mayor Hattan moved to approve the minutes of the July 15, 2009, meeting as amended, the July 27, 2009, special meeting, and the July 29, 2009, special meeting. Commissioner Johnson seconded. Motion carried unanimously.

APPROPRIATION ORDINANCE NO. #14

APPROVED

Interim City Manager Uri said that several weeks ago Commissioner Johnson had asked about a check missing from the register. At the time it was thought that this check was destroyed during printing. It had recently been located and had been written to the Kansas Department of Revenue for \$3,468.22. This check, #50888, was a hand check in order to be received before the due date and had been overlooked being put into the accounts payable system. This was the reason for the two different totals on the financial reports included in the packet.

Commissioner Johnson asked what the Vantagepoint Transfer check was for. It was determined that it is an employee investment. Commissioner Johnson asked about the \$30.00 wage payments. Larry Eubanks said that according to the auditors, the first \$30.00 of reserve firefighter wages must be treated as an accounts payable, with the remainder of their paycheck going through payroll.

Commissioner Hosie moved to approve appropriation ordinance #14. Commissioner Lanoue seconded. Motion carried unanimously.

PUBLIC COMMENTS

Patricia Gerhardt asked for information on the Corps of Engineers and the dam project. Interim City Manager Uri said that he had received information from them that asked for contributions of approximately \$200,000 from the city for the next phase, which is projected to start next year and take two to three years.

APPOINTMENTS

CORINNA HOOD

Corinna Hood, a downtown business owner, has expressed interest in being part of a committee that reviews applications for downtown improvement grants.

Commissioner Hosie moved to approve Corinna Hood to the review committee. Commission Lanoue seconded. Motion carried unanimously.

OLD BUSINESS:

ORSCHELN'S SEWER PROJECT BIDS

APAC KANSAS INC.

The following bids were presented to the commission:

Esfeld Construction	Great Bend, Kansas	\$32,130.00
Nowak Construction Co.	Goddard, Kansas	\$65,424.00
APAC Kansas Inc.	Hutchinson, Kansas	\$39,423.00

Campbell & Johnson recommended APAC Kansas, the second lowest bidder, as the city had experience with them and they had superior references in comparison to the lowest bidder.

Commissioner Johnson moved to accept the bid from APAC Kansas Inc. for \$39,423.00. Commissioner Lanoue seconded. Motion carried unanimously.

10TH & REPUBLICAN WATER LINE VALVE BIDS

MUNICIPAL PIPE SERVICES

The following bids were presented to the commission:

Municipal Pipe Services	\$7,500.00
Water Products	\$7,200.00

Commissioner Lanoue questioned why this project was being outsourced rather than being done by the city crew. Interim City Manager Uri said that to his knowledge the city crew did not have the necessary equipment to do the job.

Mayor Hattan asked for a breakdown of the price of the valve and labor.

The recommendation was to accept the higher bid from Municipal Pipe Services, which staff felt had a better product and service.

Commissioner Hosie moved to accept the bid from Municipal Pipe Services for \$7,500.00. Commissioner Jindra seconded. Motion carried unanimously.

POLICE CAR BIDS

BABE HOUSER MOTOR CO.

Interim Police Chief Bruce Johnson presented the following bids to the commission:

Womack Sunshine Ford	\$16,500.00 with trade
Babe Houser Motor Co.	\$18,950.00 with trade

Commissioner Lanoue questioned why a new vehicle was being purchased for the canine unit, considering other vehicles had been damaged by the drug dog. The commission was in favor of considering the new vehicle for a patrol car, and rotating an older vehicle to the canine unit.

Mayor Hattan moved to accept the bid from Babe Houser Motor Co. for \$18,950.00 with trade, with the provision that the use of the vehicle be reviewed. Commissioner Lanoue seconded. Motion carried unanimously.

ACCEPTANCE OF TEMPORARY NOTE BIDS

The Finance Director reported that pursuant to notice heretofore duly given, bids for the purchase of \$474,000 principal amount of General Obligation Temporary Notes, Series A, 2009, dated August 15, 2009, of the City had been received. A tabulation of said bids is set forth as *Exhibit A* hereto.

Thereupon, the governing body reviewed and considered the bids and it was found and determined that the bid of United Bank & Trust was the best bid for the Notes, a copy of which is attached hereto as *Exhibit B*.

Mayor Hattan moved that said bid be accepted, selling the Notes to the best bidder on the basis of said bid. The motion was seconded by Commissioner Johnson. Said motion was carried by a vote of the governing body with the vote being as follows:

Yea: Hattan, Jindra, Johnson, Hosie, Lanoue.

Nay: None.

AUTHORIZE ISSUANCE OF TEMPORARY NOTES – RES. 2009-1845

PASSED

Thereupon, there was presented a Resolution entitled:

A RESOLUTION AUTHORIZING AND DIRECTING THE ISSUANCE, SALE AND DELIVERY OF \$474,000 PRINCIPAL AMOUNT OF GENERAL OBLIGATION TEMPORARY NOTES, SERIES A, 2009, OF THE CITY OF CONCORDIA, KANSAS; PROVIDING FOR THE LEVY AND COLLECTION OF AN ANNUAL TAX, IF NECESSARY, FOR THE PURPOSE OF PAYING THE PRINCIPAL OF AND INTEREST ON SAID NOTES AS THEY BECOME DUE; MAKING CERTAIN COVENANTS AND AGREEMENTS TO PROVIDE FOR THE PAYMENT AND SECURITY THEREOF; AND AUTHORIZING CERTAIN OTHER DOCUMENTS AND ACTIONS CONNECTED THEREWITH.

Thereupon, Mayor Hattan moved that said Resolution be adopted. The motion was seconded by Commissioner Lanoue. Said Resolution was duly read and considered, and upon being put, the motion for the adoption of said Resolution was carried by the vote of the governing body, the vote being as follows:

Yea: Hattan, Jindra, Johnson, Hosie, Lanoue.

Nay: None.

Thereupon, the Mayor declared said Resolution duly adopted and the Resolution was then duly numbered Resolution No. 2009-1845 and was signed by the Mayor and attested by the Clerk.

SCHEDULE BUDGET PUBLIC HEARING

The plan is to have a public hearing for the next meeting on the budget, with the notice of budget hearing to be published this week. Amber Farha presented one change, which is to make the refundable deposits a liability.

Mayor Hattan moved to schedule the budget hearing for August 19 at 5:30 p.m. Commissioner Lanoue seconded. Motion carried unanimously.

DANGEROUS STRUCTURE AT 435 E. 1ST – RES. 2009-1846**PASSED**

In June a notice was sent to the property owners stating that tonight there would be a public hearing for 435 E. 1st. The owners now have until September 5 to begin the demolition themselves, and if not done, the city will proceed.

Commissioner Johnson moved to approve resolution 2009-1846. Commissioner Lanoue seconded. Motion carried by the following vote:

Aye: Commissioners Hattan, Jindra, Johnson, Hosie, and Lanoue.

Nay: None.

DEMOLITION PROJECTS – 102 E. 5TH ST. & 426 E. 16TH ST.

102 E. 5th St. is also a TIF project, and the costs incurred on this project could be included in the TIF funding.

Mayor Hattan moved to accept the demolition projects at 102 E. 5th St. and 426 E. 16th St. Commissioner Lanoue seconded. Motion carried unanimously.

NEW BUSINESS:**PRESENTATION BY THE AUDITOR**

Neil Phillips of Jarred, Gilmore and Phillips presented the audit and fielded questions from the commissioners. Mr. Phillips presented a management letter containing suggestions for internal audit controls.

Commissioner Johnson moved to accept the audit as presented. Commissioner Lanoue seconded. Motion carried unanimously.

2010 BUDGET APPROPRIATION REQUEST – CLOUDCORP FEE-FOR-SERVICE AGREEMENT

Kirk Lowell told the commission that the request of \$50,000 was the same as last year.

Mayor Hattan moved to approve the CloudCorp request of \$50,000 for 2010. Commissioner Johnson seconded. Motion carried unanimously.

CMB LICENSE**GAMBINO'S PIZZA**

There was no discussion.

Mayor Hattan moved to approve the CMB license for Gambino's Pizza. Commissioner Lanoue seconded. Motion carried unanimously.

EXECUTIVE SESSION – DISCUSSION OF CONFIDENTIAL BUSINESS INFORMATION HELD

Mayor Hattan moved that the commission recess into executive session for fifteen (15) minutes for discussion of confidential business information. Inviting: Interim City Manager Uri and Kirk Lowell. Commissioner Lanoue seconded. Motion carried by the following vote:

Aye: Commissioners Hattan, Jindra, Johnson, Hosie, and Lanoue.

Nay: None.

Time: 7:35 p.m.

The commission reconvened at 7:50 p.m.

Mayor Hattan announced there was no binding action taken.

EXECUTIVE SESSION – NON-ELECTED PERSONNEL**HELD**

Commissioner Jindra moved that the commission recess into executive session for ten (10) minutes for non-elected personnel. Mayor Hattan seconded. Motion carried by the following vote:

Aye: Commissioners Hattan, Jindra, Johnson, Hosie, and Lanoue.

Nay: None.

Time: 7:51 p.m.

The commission reconvened at 8:01 p.m.

Mayor Hattan announced there was no binding action taken.

CAMPBELL & JOHNSON CONSULTING CONTRACT

TABLED

The staff recommended a contract with Campbell & Johnson to oversee engineering projects of the north development. Interim City Manager Uri said that there are no development agreements signed as of yet, so he recommended tabling the consulting contract until that time.

Mayor Hattan moved to table the Campbell & Johnson consulting contract. Commissioner Johnson seconded. Motion carried unanimously.

MANAGER'S REPORT

Interim City Manager Uri said that the owner of the West Side Inn building is cleaning up the property, including new paint, windows, and door, and suggested that the city might reimburse the owner for half the cost, as with others accepting funds for downtown improvement projects. Mayor Hattan asked to see an application and the amount requested before proceeding.

Interim City Manager Uri reminded the commission of the intergovernmental meeting next week, with a presentation by the hospital as the main topic of discussion.

Interim City Manager Uri said that the college is asking for a booster system rather than a water tower to accommodate their immediate needs. The total price is approximately \$484,000, and could be used as a TIF project. He has suggested to the college that they contribute \$100,000 towards the project, or roughly 20%. No answer has been received to date.

MAYOR/COMMISSIONER COMMENTS AND REPORTS

Commissioner Johnson asked about the search for a new police chief. He said that Russell had included the mayor and general public in their decision.

Commissioner Lanoue thanked Amber Farha for her hard work on the budget and the audit.

Mayor Hattan echoed Commissioner Lanoue's sentiments. He inquired about the recent economic development search, and would like to hear from Steve Womack and Dick Lowrey before continuing the advertising.

STAFF COMMENTS

Larry Eubanks said he wanted to proceed with the fire truck purchase, and needed an answer on how to handle payment. MVP's winning bid stipulated that if half the money was remitted in advance, the city could save \$4,908.00. The commission agreed this was a gamble with the current economy.

Commissioner Johnson moved to pay for the fire truck upon delivery. Mayor Hattan seconded. Motion carried unanimously.

Interim City Manager Uri said that there had been a recent request for revolving loan funds by a reserve firefighter and his spouse. Current policy states that no city employee or spouse may receive funds. Commissioner Hosie said that he would like to see the policy changed as this is not a full time city employee. Interim City Manager Uri said he would provide the policy change at the next meeting.

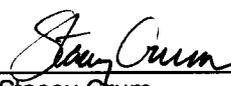
Ron Copple said that he had talked to Joe Fakler concerning the gazebo gift by the Boy Scouts, and Mr. Fakler was in favor of placing the gazebo at the original suggested location of the current Girl Scouts building. Once the location is approved, Mr. Copple can submit paperwork to the state for possible CDBG funds. The consensus is to continue on with the original location.

Commissioner Johnson asked about the progress on the dais. Discussion will be continued on the subject at a later study session.

ADJOURN

There being no further business, Commissioner Johnson moved to adjourn the meeting until the intergovernmental meeting of August 12. Commissioner Hosie seconded. Motion carried unanimously.

(Seal)



Stacey Crum
City Clerk



August 3, 2009

Honorable Mayor and City Commission
City of Concordia, Kansas

We have audited the financial statements of City of Concordia, Kansas for the year ended December 31, 2008. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 30, 2008. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Concordia, Kansas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending December 31, 2008. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Difficulties Encountered in Performing the Audit

We encountered significant difficulties in dealing with management in performing and completing our audit due to turnover in the executive and fiscal positions prior to arrival for fieldwork.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached listing of material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 3, 2009.

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Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Very truly yours,

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

City of Concordia
 2008 proposed audit adjustments

✓	Fund	Account	Debit	Credit
		(1)		
	General	Ad Valorem Property Tax		4,248.51
	General	Delinquent Tax	4,748.61	
	General	16-20M Truck Tax		486.45
	Bond and Interest	Ad Valorem Property Tax		13.65
	Library Fund	Ad Valorem Property Tax	911.74	
	Library Fund	Delinquent Tax	620.60	
	Library Fund	16-20M Truck Tax		14.71
	Library Fund	Commercial Equipment		1,517.63
	Industrial Development	Ad Valorem Property Tax		154.59
	Industrial Development	Delinquent Tax	214.54	
	Industrial Development	16-20M Truck Tax		5.12
	Industrial Development	Commercial Equipment		54.83
	Library Employee Ben	Ad Valorem Property Tax	497.90	
	Library Employee Ben	Delinquent Tax	192.15	
	Library Employee Ben	16-20M Truck Tax		4.31
	Library Employee Ben	Commercial Equipment		685.74
	Bond and Interest	Ad Valorem Property Tax	18,167.34	
	Bond and Interest	Delinquent Tax	857.39	
	Bond and Interest	16-20M Truck Tax		20.30
	Bond and Interest	Commercial Equipment		13,409.04
	Bond and Interest	Special Assessments	4,933.67	
	Capital Improvements Project	Special Assessments		10,528.97
	Water & Sewer	Special Assessments		0.09
	Reclass county payments based on confirmation sent from county clerk.			
		(2)		
	General Fund	Liquor Tax	5,038.87	
	Special Parks & Rec	Liquor Tax		5,038.87
	Reclass liquor tax payments based on 1/2 general 1/2 sp parks.			
		(3)		
	General Fund	Accounts receivable		56,568.94
	General Fund	lease	250.00	
	General Fund	local dispatch	40,000.00	
	General Fund	Permits	60.00	
	General Fund	Public works service fees	3,295.00	
	General Fund	Hanger Rent	902.00	
	General Fund	Fines, Forfeitures and Penalties	12,061.94	
	Water and Sewer	Accounts receivable		3,028.38
	Water and Sewer	Public works service fees	3,028.38	
	Cont. Econ Dev Fund	Accounts receivable		16,635.23
	Cont. Econ Dev Fund	Federal grants	16,635.23	
	Remove accounts receivable for Kansas cash basis laws			

City of Concordia
2008 proposed audit adjustments

✓	Fund	Account	Debit	Credit
		(4)		
	General Fund	United Bank Cd	3,752.19	
	General Fund	Citizens Bank Cd	3,963.87	
	General Fund	Interest Income		7,716.06
	Record interest income added to cd instead of being paid to City			
		(5)		
	General Fund	Cash in Bank		28,636.43
	General Fund	Wages Payable	28,636.43	
	Unrecorded payroll tax eft from December 2008			
		(6)		
	Fire Safety	Fund Balance		491.45
	Fire Safety	Contractual Services	491.45	
	Sports Complex	Fund Balance		1,860.63
	Sports Complex	Contractual Services	1,860.63	
	Fat Ord of Police	Cash in Bank	68.23	
	Fat Ord of Police	Donations		68.23
	Salvation Army	Fund Balance		440.00
	Salvation Army	Contractual Services	440.00	
	Record activity for three agency fund checking accounts not on City's ledgers			
		(7)		
	Small Animal trust	Interest Income		859.45
	General	Interest Income	859.45	
	Cemetery Trust	Interest Income		1,372.50
	General	Interest Income	1,372.50	
	Reclass interest income for specific listed CD's			
		(8)		
	General	Cash in Bank	74,975.33	
	General	Fund Balance		74,975.33
	Double recorded payroll for December 2007			
		(9)		
	General	Cash in Bank	141.04	
	General	Interest Income		141.04
	Trivial adjustment to match general ledger to cash reconciliations			
		(10)		
	Airport Fund	Cash in Bank	26,024.17	
	Airport Fund	Interest Income		95.77
	Airport Fund	Donations	26,701.24	
	Airport Fund	Fund Balance		52,629.64
	Record cash in escrow account and activity on City's ledgers			

City of Concord
 2008 proposed audit adjustments

√	Fund	Account	Debit	Credit
		(11)		
	Water & Sewer Fund	Meter Deposits Revenue	16,080.00	
	Water & Sewer Fund	Meter Deposits Liability		16,080.00
	Move deposits held in trust to liability account			
		(12)		
	General-401	Personnel Services	2,384.22	
	General-402	Personnel Services	762.33	
	General-421	Personnel Services	16,624.60	
	General-422	Personnel Services	6,203.97	
	General-425	Personnel Services	1,893.90	
	General-426	Personnel Services	1,124.71	
	General-428	Personnel Services	1,823.34	
	General-441	Personnel Services	8,449.04	
	General-481	Personnel Services	3,198.17	
	General-482	Personnel Services	910.10	
	General-522	Personnel Services	1,161.23	
	General-525	Personnel Services	951.40	
	General	Accrued Payroll		45,487.01
	Water and Sewer-461	Personnel Services	7,142.15	
	Water and Sewer-462	Personnel Services	1,514.94	
	Water and Sewer-463	Personnel Services	2,088.96	
	Water and Sewer-464	Personnel Services	3,051.19	
	Water and Sewer-465	Personnel Services	829.06	
	Water and Sewer	Accrued Payroll		14,626.30
	Move 8 of 10 days of 01/02/2009 payroll back to 2008 budget			
		(13)		
	General-401	Personnel Services		2,603.98
	General-402	Personnel Services		1,009.90
	General-421	Personnel Services		12,018.63
	General-422	Personnel Services		4,607.25
	General-424	Personnel Services		1,381.27
	General-425	Personnel Services		829.21
	General-428	Personnel Services		1,368.53
	General-441	Personnel Services		5,577.51
	General-481	Personnel Services		1,655.01
	General-482	Personnel Services		847.45
	General-522	Personnel Services		1,501.63
	General-525	Personnel Services		100.37
	General	Fund Balance	33,500.74	
	Water and Sewer-461	Personnel Services		6,088.06
	Water and Sewer-462	Personnel Services		767.24
	Water and Sewer-463	Personnel Services		1,555.46
	Water and Sewer-464	Personnel Services		2,186.14
	Water and Sewer-465	Personnel Services		820.45
	Water and Sewer	Fund Balance	11,417.35	
	Move 6 of 10 days of 01/04/2008 payroll back to 2007 budget			
		(14)		
	General-401	Transfers	15.00	
	General-402	Other Misc revenue		15.00
	Move Miscellaneous income from transfers line.			

City of Concordia
 2008 proposed audit adjustments

√	Fund	Account	Debit	Credit
	(15) - audit only, do not book on cities ledgers			
	General Fund	Cash in Bank	29,782.95	
	Special Highway Fund	Cash in Bank	1,940.05	
	D.A.R.E.	Cash in Bank	120.00	
	Emergency Telephone Sys Fund	Cash in Bank	1,579.34	
	911 Wireless	Cash in Bank	175.90	
	Fire Dept Grants	Cash in Bank	1,111.00	
	Capital Imp Project Fund	Cash in Bank	184.60	
	Employee Health Care Fund	Cash in Bank	25,807.16	
	Central Garage Fund	Cash in Bank	579.11	
	Water/Sewer Operating Fund	Cash in Bank	74,738.28	
	City of Concordia Memorial Fun	Cash in Bank	1,359.00	
	Cloud County Landfill	Cash in Bank	20,391.03	
	General Fund	Accounts Payable		29,782.95
	Special Highway Fund	Accounts Payable		1,940.05
	D.A.R.E.	Accounts Payable		120.00
	Emergency Telephone Sys Fund	Accounts Payable		1,579.34
	911 Wireless	Accounts Payable		175.90
	Fire Dept Grants	Accounts Payable		1,111.00
	Capital Imp Project Fund	Accounts Payable		184.60
	Employee Health Care Fund	Accounts Payable		25,807.16
	Central Garage Fund	Accounts Payable		579.11
	Water/Sewer Operating Fund	Accounts Payable		74,738.28
	City of Concordia Memorial Fun	Accounts Payable		1,359.00
	Cloud County Landfill	Accounts Payable		20,391.03
	Reclass backdated checks for audit puposes only			
		Control Totals	560,596.71	560,596.71
				-



August 3, 2009

MANAGEMENT LETTER

The Honorable Mayor and City Commission
City of Concordia, Kansas

In planning and performing our audit of the financial statements of the City of Concordia, Kansas, as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Concordia's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with Kansas cash basis and budget laws basis of accounting such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Preparation of Financial Statements

In prior years, the auditor was considered the compensating control for preparation of the City's financial statements including footnotes. However, professional standards do not allow the auditor to be a compensating internal control for the City. The new standard states the client must be able to accept responsibility and be able to identify a material misstatement when handed the financial statements, including footnotes. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the City does not have ability to process and prepare the required financial statements, including footnotes, however, with adequate training on the basics, we believe the City could obtain the knowledge required to satisfy this requirement. We recommend the City start exploring the possibility of training for staff in the area of basic financial statement preparation. The AICPA includes many useful tools including training courses on financial statement preparation.

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Bank Reconciliations

Upon being contracted to complete the audit for the year ended December 31, 2008, it was noted the reason for the delay in the audit process was because the bank reconciliations were not complete and up to date. The City had started the bank reconciliation process by reviewing cleared checks, however, total reconciled cash was not tied out to the general ledger cash account balances. Not reconciling the bank accounts on a monthly basis means errors or other problems might not be recognized and resolved on a timely basis. This deficiency in the design and operation of the internal controls in this area could adversely affect the recording, processing, summarization, and reporting of financial data if actual cash bank balances are not reconciled to the cash balances in the general ledger at the end of each month and therefore, is considered to be a material weakness. We would like to point out the timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and cash disbursements. We recommend the City's general ledger be adjusted to match with the audit at December 31, 2008, and proceed forward in implementing this recommendation on a monthly basis.

Payroll Taxes

As a result of bank reconciliations not being reconciled, a breakdown in internal controls occurred with the payment of payroll withholdings. Payroll withholdings for a majority of 2008 were not paid timely resulting in substantial penalties to the City. As an additional recommendation to the bank reconciliation process above, we recommend that the reconciliations be signed or initialed as indication of review and approval after completed.

Other Matters

As a result of planning and performing the audit, we noted certain other matters that came to our attention that are not reflected in the auditors' report or the financial statements which we feel worthy of consideration by management. These matters are presented below:

Library Bank Reconciliations

Although we were advised that all bank reconciliations are approved by a responsible employee, no indication of such review was evident on the reconciliations selected for review. We recommend that the reconciliations be signed or initialed as an indication of approval.

Fraud Risk Policies and Procedures

Recently issued accounting and audit standards recommend management and City Commission to develop a fraud risk assessment and monitoring program, including identifying fraud risk and taking appropriate action to reduce or eliminate the risks. The risk assessment should include all levels of the City to ensure management and Commissioners are involved in the oversight of the City's fraud risk management program. We recommend the City Commission and management explore the risk of fraud through the creation of a Fraud Risk committee. This committee should assess current policies and procedures for the risk of fraud and make recommended changes to the full City Commission and management as to mitigate identified fraud risk factors.

Purchase Cards and Charge Accounts

During our testing of City purchase cards and charge accounts, we identified some charges that did not contain adequate supporting documentation. We would like to point out that all disbursements of the City should be supported by a written claim against the City and the City purchase cards and accounts should not be used for personal use. Unsupported disbursements could be cause for unallowable expenses under current Kansas statutes. While the unsupported charges appeared to be for legitimate City expenses, the City is approving and paying bills without all the required supporting documentation necessary. We recommend a policy be put into place that requires all support be turned into the City fiscal staff and

prohibits the personal use of City purchase cards and charge accounts in all situations. If it is inadvertently used for personal use, the policy should include provisions that include reimbursement of personal expenses within a certain time period. Charges on a purchase card or on a charge account should not be paid without proper supporting documentation.

Journal Entry Procedures

We recommend that a policy be established for approval of journal entries. Because the journal entry represents a means to override other controls, we feel it is especially important to have close monitoring. We suggest that a specific form be used for journal entries and that form have a designated area for approval by someone other than the preparer. This will involve at least two people in the process of posting journal entries and improve internal controls in this area.

Payroll Reports

It was noted during the audit that the quarterly Form 941 gross wages were less than the gross wages reported on Form W-3 by \$362.02. While the amount is insignificant, these amounts should be in agreement. The Internal Revenue Service and the Social Security Administration will try to tie these two amounts to each other, which will result in a notice from the Federal government and may include penalty and interest assessments. We recommend you reconcile the forms and file amended reports as necessary. Then, in future years, a reconciliation should be completed before the final Form W-3 is filed.

Accounts Payable

K.S.A. 10-1117 requires the City to maintain a record of each fund's indebtedness. This means that the City's expenses in each fund need to reflect accounts payable and all accruals. The City's records only reflect cash disbursed and some payables, however, they do not include in expenses any accruals for payroll. As a result, the City could inadvertently overspend cash and budget available. We recommend the City take the steps necessary to ensure all expenses are reported and approved on Kansas statutory basis method of accounting.

Municipal Court

During our testing of municipal court files, it was noted much improvement is needed in the area of record keeping. Orderly filing should be maintained to ensure proper control over all supporting documentation of all court decisions, such as dismissals and payments on account.

We wish to express our appreciation to the Finance Director, the City Clerk, and the Interim City Manager for the courtesy and assistance we received during this year's audit.

This information is intended solely for the use of the Mayor, City Commission, and management of the City of Concordia, Kansas and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

SUMMARY OF BIDS RECEIVED

ISSUE
ISSUER
SALE DATE
GOOD FAITH \$

\$474,000 TEMPORARY NOTES SERIES A, 2009
CITY OF CONCORDIA, KANSAS
FRIDAY, JULY 24, 2009 @ 11:00 A.M., C.D.T
N/A

BIDDERS		UNITED BANK & TRUST	PEOPLES EXCHANGE BANK		
MATURITY DATE	PRINCIPAL AMOUNT	INTEREST RATES	INTEREST RATES	INTEREST RATES	INTEREST RATES
8/15/2010	\$ 474,000	3.00%	3.45%		
Total Interest Cost on Maturity at Rate specified					
	\$	14,064.16	\$	16,353.00	
Less: Premium (if any)					
	\$	-	\$	-	
Net Interest Cost to City					
	\$	14,064.16	\$	16,353.00	
Average Annual Net Interest Rate					
		3.00%		3.45%	
Bidder elects Notes in "book-entry-only" form					
		X			

