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August 11, 2014

Mayor and Board of Aldermen
City of Lancaster
PO Box 400
Lancaster, MO 63548

Dear Mayor and Board:

Thank you for the opportunity to write regarding the balances for the City of Lancaster. Your City is experiencing growing pains in the accounting system. The system must provide more detailed and accurate information on account of the many changing requirements that come into play as the years pass by.

With additional requirements from DNR regarding water and sewer as well as the general citizenry's continuing demand for streets, parks, fire and police protection, and general services, your accounting system is called on to provide detailed information about the availability of resources to finance each of these activities.

The accounting system is making continued progress in working toward providing the information that is currently being required. However, questions have arisen as to the resources which belong to certain functions of the city.

In the past, the City's accounting records were not designed to provide information of this nature. That is one of the improvements being made to the system. There are currently accurate records of the income and expenditures related to each function of the City. Questions have arisen as to the beginning balances identified with certain functions of the City.

Attached you will find a schedule of the 12-31-12 fund balance (last audited year). The problems have arisen in the functions which participate in co-mingled cash. For any function accounted for in a separate checkbook, the balance available to them is evident.

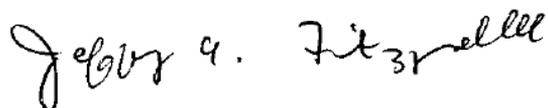
In the situation of the City of Lancaster, you find the C & I function listed with \$126,380 in fund balance. I know this is not correct from past experience. This amount should be allocated between the fire, police, and street function, leaving the balance in C & I.

Although records do not exist to make a calculation of the fund balance allocation, I believe an educated and informed decision can be made. I will be happy to work with City Clerk Margaret Reynolds in making this allocation. Once the allocation has been made, it will make future budgeting and planning much more accurate.

If you have any further questions, please contact me. I am always happy to assist you in any way possible.

Very truly yours,

FITZGERALD & FLOYD, CPA'S PC

A handwritten signature in black ink that reads "Jeffrey A. Fitzgerald". The signature is written in a cursive style with a large initial 'J' and 'F'.

Jeffrey A. Fitzgerald

Enclosure

City of Lancaster
Fund Balance
12-31-12

Fund	Function	12/31/12 Balance	Cash
General	C & I	126,380	Co-mingled
General	Cemetery	10,967	Separate
General	Fire	-	Co-mingled
General	Police	-	Co-mingled
Special Revenue	CDBG	1,464	Separate
Special Revenue	Park	19,407	Separate
Special Revenue	Street	-	Co-mingled
Proprietary	Water	403,942	Separate
Proprietary	Sewer	43,458	Separate
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		<u>605,618</u>	