

CITY OF HOLCOMB, KANSAS
STATUTORY BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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FOR THE YEAR ENDED DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

The City Council Members
City of Holcomb, Kansas

We have audited the summary statement of cash receipts, expenditures and unencumbered cash of the City of Holcomb, Kansas, as of and for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City has prepared this financial statement using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter described in the preceding paragraph, the financial statement referred to in the first paragraph does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Holcomb, Kansas, as of December 31, 2011, or the changes in its financial position, or where applicable, its cash flows for the year then ended. Further, the City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Further, in our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the City of Holcomb, Kansas, as of December 31, 2011, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

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CPAs

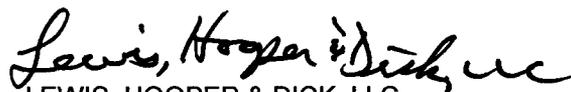
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Our audit was performed for the purpose of forming an opinion on the financial statement of the City of Holcomb, Kansas. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the statutory 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 financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the 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 financial statement as a whole.

The 2010 actual columns presented in the individual fund schedules of cash receipts and expenditures (Schedule 2's as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2010 financial statement upon which we rendered an unqualified opinion dated June 8, 2011. The 2010 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards, at the following link <http://www.da.ks.gov/ar/muniserv/EAuditAccept.htm>. Such 2010 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 financial statements. The 2010 comparative information was subjected to the auditing procedures applied in the audit of the 2010 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2010 financial statements or to the 2010 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 comparative information is fairly stated in all material respects in relation to the 2010 financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.


LEWIS, HOOPER & DICK, LLC

June 25, 2012

CITY OF HOLCOMB, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2011

<u>Funds</u>	Unencumbered Cash 01/01/11	Receipts and Transfers	Expenditures and Transfers	Unencumbered Cash 12/31/11	Add Payables and Encumbrances	Treasurer's Cash 12/31/11
<u>Operating</u>						
General	\$ 442,932	\$ 999,997	\$ 924,269	\$ 518,660	\$ 25,191	\$ 543,851
<u>Special Revenue Funds</u>						
Special Highway	78,878	55,296	125,129	9,045	261	9,306
Special Park	3,198	1,500	2,006	2,692	-	2,692
Equipment Reserve	169,386	50,000	50,808	168,578	5,476	174,054
Capital Improvement Reserve	302,481	363,215	-	665,696	-	665,696
Health Insurance Reserve	9,000	-	9,000	-	-	-
ADSAP Fees	2,700	-	-	2,700	-	2,700
Clutter Memorial	-	-	-	-	-	-
Total Special Revenue	<u>565,643</u>	<u>470,011</u>	<u>186,943</u>	<u>848,711</u>	<u>5,737</u>	<u>854,448</u>
<u>Debt Service Fund</u>						
Bond and Interest	38,001	233,820	253,727	18,094	-	18,094
<u>Enterprise Funds</u>						
Water and Sewer Utility	326,226	580,850	542,848	364,228	11,039	375,267
Water Depreciation Reserve	121,420	60,000	-	181,420	-	181,420
Water Bond and Interest	32,852	45,000	39,637	38,215	-	38,215
Sewer Reserve	218,024	21,000	-	239,024	-	239,024
Customer Deposits	38,551	6,560	27,028	18,083	13	18,096
Solid Waste Utility	32,209	130,193	129,316	33,086	4,834	37,920
Storm Sewer Utility	247,606	82,675	85,620	244,661	-	244,661
Total Enterprise	<u>1,016,888</u>	<u>926,278</u>	<u>824,449</u>	<u>1,118,717</u>	<u>15,886</u>	<u>1,134,603</u>
Total All Funds	<u>\$ 2,063,464</u>	<u>\$ 2,630,106</u>	<u>\$ 2,189,388</u>	<u>\$ 2,504,182</u>	<u>\$ 46,814</u>	<u>\$ 2,550,996</u>

Composition of Cash:

First National Bank of Holcomb	\$ 1,869,335	
Less outstanding warrants	<u>(23,552)</u>	
Total cash in bank		\$ 1,845,783
Investments - Certificates of Deposit		<u>705,213</u>
Total cash		<u>\$ 2,550,996</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF HOLCOMB, KANSAS
Notes to Financial Statements
For The Year Ended December 31, 2011

1. Summary of significant accounting policies

The City of Holcomb, Kansas, was incorporated under the provisions of the State of Kansas. The City operates under a City Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, cultural activities, public improvements, planning and zoning and general administrative services. Other services include utility operations.

A. Financial reporting entity

The City is governed by an elected five-member council and a mayor. These financial statements present the City of Holcomb (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The City has no organizations, functions or activities which are considered component units of the City.

B. Measurement focus, basis of accounting and basis of presentation

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure is recorded in the fund from which the transfer is made.

C. Waiver of financial reporting requirements

The City's Council has determined by resolution that financial statements prepared in conformity with generally accepted accounting principles are not relevant to the requirements of the cash basis and budget laws of the State of Kansas and are of no significant value to the Council, the City or the members of the general public of the City. The Council approved the resolution which served as notice of the Council's election to waive the requirements for reporting of its financial data in conformity with accounting principles generally accepted in the United States of America, as provided and authorized by K.S.A. 75-1120a.

D. 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, expenditures, cash and unencumbered cash balances. 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 land, buildings and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes and compensated absences are not presented in the financial statements.

CITY OF HOLCOMB, KANSAS
Notes to Financial Statements
For The Year Ended December 31, 2011

1. Summary of significant accounting policies (continued)

E. Fund 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 fund types are used by the City:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources and the payment of general long-term debt principal, interest and related costs.

Capital Project Fund - The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

F. Cash and investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the City (except for investments in the Kansas Municipal Investment Pool). Cash includes amounts in demand deposits, time deposits and certificates of deposit. Investments of the pooled accounts consist primarily of investments with the Kansas Municipal Investment Pool and U.S. government securities carried at cost, which approximates market. Interest income earned, unless specifically designated, is allocated to the general fund.

G. Property taxes and special assessments

The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the counties. The County Appraiser annually determines assessed valuations based on real property transactions as recorded by the Register of Deeds and personal property holdings reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls and the County Treasurer collects the taxes for all taxing entities within the County.

CITY OF HOLCOMB, KANSAS
Notes to Financial Statements
For The Year Ended December 31, 2011

1. Summary of significant accounting policies (continued)

G. Property taxes and special assessments (continued)

Taxes are assessed on a calendar year basis, are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1st of the ensuing year. One-half of the property taxes are due December 20th and distributed to the District by January 20th to finance a portion of the current year's budget. The second half is due May 10th and distributed to the City by June 5th. The City Treasurer draws available funds from the County Treasurer's office at designated times throughout the year.

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City. Special assessments received prior to or after the issuance of general obligation bonds are recorded as revenue in the appropriate project fund. Further, state statutes require levying additional general ad valorem property taxes in the Debt Service Fund to finance delinquent special assessments receivable.

H. Compensated absences

The City's policy regarding leave pay permits employees to accumulate leave days at a maximum rate of 12 days per year. No more than 90 days may be accumulated. Leave may be used for sick leave, bereavement leave and personal leave. The City does not pay for unused accumulated leave pay at termination of employment.

The City's policy regarding vacation leave pay permits employees to accumulate leave days at a maximum rate of 12 days per year up to a maximum of 18 days. The City has estimated the dollar amount of accumulated vacation leave pay at December 31, 2011, to be \$12,467.

I. Interfund transactions

Quasi-external transactions (i.e., transactions that would be treated as revenues or expenses if they involved organizations external to the governmental unit, such as internal service fund billings to departments) are accounted for as cash receipts or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

J. Reimbursements

A reimbursement is an expenditure or expense initially made in one fund, but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed by other funds. In accounting for such reimbursements, the City records an expenditure (or expense) in the reimbursing fund, and a reduction of expenditure (or expense) in the reimbursed fund, following the authoritative guidance of the *Governmental Accounting, Auditing and Financial Reporting*.

K. Memorandum totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. No consolidated financial information is presented nor is all required disclosures presented for these amounts.

CITY OF HOLCOMB, KANSAS
Notes to Financial Statements
For The Year Ended December 31, 2011

2. Stewardship, compliance and accountability

A. 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. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of 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 governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2011.

The legal level of budgetary control is the fund level. The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds and certain special revenue funds. Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

CITY OF HOLCOMB, KANSAS
Notes to Financial Statements
For The Year Ended December 31, 2011

2. Stewardship, compliance and accountability (continued)

B. Compliance with Kansas statutes

References made herein to the statutes are not intended as interpretation of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representative of the City.

There are no known material violations of Kansas statutes for the year ended December 31, 2011. Immaterial violations noted were as follows:

- Kansas statute 10-130 requires the remittance of principal and interest to the state fiscal agent at least 20 days prior to maturity. During 2011 payments were not submitted on a timely basis, although they were submitted to the State prior to the maturity dates.
- Kansas statute 79-2935 requires no indebtedness be created in excess of budgeted limits in any fund. At December 31, 2011, the Customer Deposits fund expenditures exceeded the fund budget by \$19,028. This was a result of the City transferring excess cash back to the Water and Sewer Utility fund during the year.

3. Detailed notes on all funds

A. Deposits and investments

A reconciliation of cash and investments as shown in the composition of cash on the summary of cash receipts, expenditures and unencumbered cash on Statement 1 is as follows:

Carrying amounts of deposits	\$ 2,550,996
Total cash	\$ 2,550,996

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.

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 does not use designated "peak periods".

CITY OF HOLCOMB, KANSAS
Notes to Financial Statements
For The Year Ended December 31, 2011

3. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Custodial credit risk – deposits (continued)

At year end, the City's carrying amount of deposits was \$2,550,996 and the bank balance was \$2,574,548. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$277,133 was covered by federal depository insurance and \$2,297,415 was collateralized with securities held by the pledging financial institution's agents in the City's name. The City's cash deposits at year-end are as follows:

	First National Bank of Holcomb
FDIC Coverage	\$ 277,133
Pledged securities at market value	2,545,995
Total coverage	\$ 2,823,128
Funds on deposit	\$ 2,574,548
Funds at risk	\$ -

Credit risk - investments

Custodial credit risk for an investment 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 City had no investments of this type at December 31, 2011.

B. Interfund transfers

Interfund operating transfers are as follows:

From	To	Statutory Authority	
General	Equipment Reserve	12-1,117	\$ 40,000
General	Capital Improvement Reserve	12-1,118	215,000
Water and Sewer Utility	Equipment Reserve	12-825d	10,000
Water and Sewer Utility	Bond and Interest	12-825d	140,000
Water and Sewer Utility	Sewer Reserve	12-825d	21,000
Water and Sewer Utility	Water Bond and Interest	12-825d	45,000
Water and Sewer Utility	Water Depreciation	12-825d	60,000
Customer Deposits	Water and Sewer Utility	12-825d	26,674
Solid Waste Utility	General	10-1204	10,000
Storm Sewer Utility	Bond and Interest	12-825d	76,000
Total			\$ 643,674

CITY OF HOLCOMB, KANSAS
Notes to Financial Statements
For The Year Ended December 31, 2011

3. Detailed notes on all funds (continued)

C. Capital projects in process

Capital projects in process during the year ended December 31, 2011, under authorized construction contracts were as follows:

Project	Authorization	Disbursements and Accounts Payable to Date	Committed
Crack sealing - 2011	\$ 70,824	\$ 70,824	\$ -
Crack sealing - 2012	70,407	23,623	46,784
Storm Sewer	48,693	-	48,693
Standpipe blast and recoat	58,861	-	58,861

D. Long-term debt

Changes in long-term liabilities for the City for the year ended December 31, 2011, were as follows:

	Maximum Rate	Date of Issue	Date of Final Maturity	Amount of Issue	Unpaid 01/01/11	Additions	Reductions/ Payments	Net Change	Unpaid 12/31/11	Interest Paid
General obligation bonds payable:										
Sewer Improvement, series 2003B	5.90%	12/01/03	10/01/23	\$ 800,000	\$ 740,000	\$ -	\$ 15,000		\$ 725,000	\$ 35,848
Refunding, series 2009	4.50%	07/01/09	10/01/23	1,945,000	1,830,000	-	135,000		1,695,000	67,877
Total general obligation bonds payable				2,745,000	2,570,000	-	150,000		2,420,000	103,725
Revenue bonds payable:										
Sewer Improvement, series 2003	4.40%	12/01/03	10/01/13	330,000	110,000	-	35,000		75,000	4,630
Capital leases payable:										
Galion 850 motor grader	4.04%	10/06/08	10/06/11	36,988	9,423	-	9,423		-	500
Emergency radio communications system	3.62%	06/10/09	01/01/16	61,739	54,135	-	9,059		45,076	1,894
Total capital leases payable				98,727	63,558	-	18,482		45,076	2,394
Employee compensated absences payable:										
Accrued vacation (net change)					14,939			\$ (2,472)	12,467	
Total general long-term debt				\$ 3,173,727	\$ 2,758,497	\$ -	\$ 203,462	\$ (2,472)	\$ 2,552,543	\$ 110,749

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

	Year							Total
	2012	2013	2014	2015	2016	2017-2021	2022-2023	
Principal:								
General obligation bonds payable	\$ 130,000	\$ 135,000	\$ 180,000	\$ 190,000	\$ 190,000	\$ 1,090,000	\$ 505,000	\$ 2,420,000
Revenue bonds payable	35,000	40,000	-	-	-	-	-	75,000
Capital leases payable	9,393	9,739	10,097	10,469	5,378	-	-	45,076
Total principal	174,393	184,739	190,097	200,469	195,378	1,090,000	505,000	2,540,076
Interest:								
General obligation bonds payable	99,878	96,192	92,082	85,995	79,065	268,907	35,675	757,794
Revenue bonds payable	3,230	1,760	-	-	-	-	-	4,990
Capital leases payable	1,560	1,214	856	484	98	-	-	4,212
Total interest	104,668	99,166	92,938	86,479	79,163	268,907	35,675	766,996
Total principal and interest	\$ 279,061	\$ 283,905	\$ 283,035	\$ 286,948	\$ 274,541	\$ 1,358,907	\$ 540,675	\$ 3,307,072

Legal debt margin

The debt limit per K.S.A. 10-308 is thirty percent of the assessed tangible valuation of the City adjusted for exempt farm property, business aircraft and motor vehicles given by the County Assessor to the County Clerk on August 25th each year. Per K.S.A. 10-309, certain bond issues are not subject to the bonded indebtedness limitation; these include the refunding bonds and the limited obligation bonds issued for the purpose of acquiring, enlarging, extending or improving any municipal utility; or to pay the cost of improvements to intersections of streets and alleys or that portion of any street immediately in front of city or school district property. The amount of debt outstanding does not exceed the statutory limit.

CITY OF HOLCOMB, KANSAS
Notes to Financial Statements
For The Year Ended December 31, 2011

4. Other information

A. 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. In 1995, the City joined together with other municipalities in the State to form Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for municipalities which are members in good standing of the League of Kansas Municipalities, meet the requirements established by the Board of Trustees; and which properly adopt the agreement. The City pays an annual premium to KMIT for its workmen's compensation insurance coverage. The Agreement for Formation of the KMIT provides that KMIT will be self-sustaining through member premiums.

The City continues to carry commercial insurance for all other risks of loss including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

B. Post-employment health care benefits

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

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

C. Defined benefit pension plan

Plan description: The City of Holcomb, Kansas, contributes to the Kansas Public Employees Retirement System ("KPERs"), a cost sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S Kansas, Suite 100, Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding policy: K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at up to 6% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established by statute for calendar year 2011 is 7.74%. The City of Holcomb, Kansas, contributions to KPERs for the years ending December 31, 2011, 2010 and 2009, were \$26,494, \$25,086, and \$18,252, respectively, equal to the required contributions for each year as set forth by the legislature.

CITY OF HOLCOMB, KANSAS
Notes to Financial Statements
For The Year Ended December 31, 2011

4. Other information (continued)

D. Commitments and contingencies

Grant audits

The City participates in federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors and their representatives. As of December 31, 2011, the City was aware of no material questioned or disallowed costs as a result of grant audits completed or in process.

E. Related party transactions

The City purchases goods and services from a business operated by a City Council member. The City paid this business \$4,032 during the year ended December 31, 2011.

F. Subsequent events

Subsequent to December 31, 2011, the City purchased vehicles and equipment totaling \$85,500.

SUPPLEMENTAL SCHEDULES

CITY OF HOLCOMB, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2011

Fund	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget	Expenditures Chargeable to Current Year Budget	Variance Over (Under)
Governmental Type Funds:					
General	\$ 1,141,800	\$ -	\$ 1,141,800	\$ 924,269	\$ (217,531)
Special Revenue:					
Special Highway	127,274	-	127,274	125,129	(2,145)
Special Park	4,631	-	4,631	2,006	(2,625)
Equipment Reserve	252,718	-	252,718	50,808	(201,910)
Capital Improvement Reserve	452,867	-	452,867	-	(452,867)
Health Insurance Reserve	9,000	-	9,000	9,000	-
ADSAP Fees	3,700	-	3,700	-	(3,700)
Debt Service:					
Bond and Interest	424,908	-	424,908	253,727	(171,181)
Proprietary Type Funds:					
Water and Sewer Utility	588,800	-	588,800	542,848	(45,952)
Water Depreciation Reserve	150,000	-	150,000	-	(150,000)
Water Bond and Interest	40,030	-	40,030	39,637	(393)
Sewer Reserve	229,024	-	229,024	-	(229,024)
Customer Deposits	8,000	-	8,000	27,028	19,028
Solid Waste Utility	144,050	-	144,050	129,316	(14,734)
Storm Sewer Utility	321,165	-	321,165	85,620	(235,545)

CITY OF HOLCOMB, KANSAS
 General Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Administration:				
Taxes	\$ 711,440	\$ 804,435	\$ 744,815	\$ 59,620
Franchises	61,577	84,148	49,000	35,148
Licenses and permits	2,068	2,079	2,175	(96)
Fines, forfeitures and penalties	31,398	29,106	30,450	(1,344)
Fire department	43,265	38,705	34,000	4,705
Interest on investments	4,099	2,970	10,000	(7,030)
Vehicle inspections	19,050	24,415	20,000	4,415
Reimbursements and miscellaneous	11,212	4,139	8,000	(3,861)
Transfer from Solid Waste Utility	10,000	10,000	10,000	-
Transfer from Health Insurance Reserve	13,250	-	9,000	(9,000)
Total cash receipts	<u>907,359</u>	<u>999,997</u>	<u>\$ 917,440</u>	<u>\$ 82,557</u>
Expenditures:				
General administration:				
Personnel services	60,456	57,667	\$ 65,000	\$ (7,333)
Contractual services	66,741	82,947	129,000	(46,053)
Commodities	35,476	38,002	6,000	32,002
Capital outlay	873	402	7,000	(6,598)
Total general administration	<u>163,546</u>	<u>179,018</u>	<u>207,000</u>	<u>(27,982)</u>
Law enforcement:				
Personnel services	163,240	148,651	165,000	(16,349)
Contractual services	12,428	10,847	24,400	(13,553)
Commodities	6,521	5,297	39,100	(33,803)
Capital outlay	-	-	2,500	(2,500)
Total law enforcement	<u>182,189</u>	<u>164,795</u>	<u>231,000</u>	<u>(66,205)</u>
Street lighting and tornado sirens:				
Contractual services	<u>23,910</u>	<u>23,823</u>	<u>25,000</u>	<u>(1,177)</u>
Fire department:				
Personnel services	26,781	24,253	35,000	(10,747)
Contractual services	25,812	24,331	8,500	15,831
Commodities	14,631	11,441	19,500	(8,059)
Capital outlay	6,309	1,905	10,000	(8,095)
Total fire department	<u>73,533</u>	<u>61,930</u>	<u>73,000</u>	<u>(11,070)</u>

(continued)

CITY OF HOLCOMB, KANSAS
 General Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
(continued)				
Expenditures:				
Municipal court:				
Personnel services	\$ 22,757	\$ 27,021	\$ 27,000	\$ 21
Contractual services	27,908	24,691	33,600	(8,909)
Commodities	1,880	2,088	3,200	(1,112)
Total municipal court	52,545	53,800	63,800	(10,000)
Employee benefits:				
Social Security	30,156	30,306	32,000	(1,694)
KPERs	23,938	25,581	20,000	5,581
Unemployment insurance	7,868	17,098	16,000	1,098
Workmen's compensation	12,785	13,125	19,000	(5,875)
Health insurance	70,467	99,793	110,000	(10,207)
Total employee benefits	145,214	185,903	197,000	(11,097)
Street improvements:				
Contractual services	-	-	90,000	(90,000)
Operating transfers out:				
Equipment Reserve	40,000	40,000	40,000	-
Capital Improvement - Ryan Street	-	40,000	-	40,000
Capital Improvement Reserve	125,000	175,000	215,000	(40,000)
Total operating transfers out	165,000	255,000	255,000	-
Total expenditures	805,937	924,269	\$ 1,141,800	\$ (217,531)
Receipts over expenditures	101,422	75,728		
Unencumbered cash, beginning of year	341,510	442,932		
Unencumbered cash, end of year	\$ 442,932	\$ 518,660		

CITY OF HOLCOMB, KANSAS
Special Highway Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
State of Kansas - gas tax	\$ 55,562	\$ 55,296	\$ 52,720	\$ 2,576
Expenditures:				
Personnel services	3,420	16,250	\$ 16,000	\$ 250
Contractual services	16,098	51,596	91,274	(39,678)
Commodities	1,930	57,283	20,000	37,283
Total expenditures	21,448	125,129	\$ 127,274	\$ (2,145)
Receipts over (under) expenditures	34,114	(69,833)		
Unencumbered cash, beginning of year	44,764	78,878		
Unencumbered cash, end of year	\$ 78,878	\$ 9,045		

CITY OF HOLCOMB, KANSAS
 Special Park Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Alcohol taxes	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Donations	520	-	-	-
Total cash receipts	<u>2,020</u>	<u>1,500</u>	<u>\$ 1,500</u>	<u>\$ -</u>
Expenditures:				
Capital outlay	<u>1,053</u>	<u>2,006</u>	<u>\$ 4,631</u>	<u>\$ (2,625)</u>
Receipts over (under) expenditures	967	(506)		
Unencumbered cash, beginning of year	<u>2,231</u>	<u>3,198</u>		
Unencumbered cash, end of year	<u>\$ 3,198</u>	<u>\$ 2,692</u>		

CITY OF HOLCOMB, KANSAS
 Equipment Reserve Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Transfer from General	\$ 40,000	\$ 40,000	\$ 40,000	\$ -
Transfer from Water and Sewer Utility	10,000	10,000	10,000	-
Transfer from Solid Waste	10,000	-	-	-
Total cash receipts	60,000	50,000	\$ 50,000	\$ -
Expenditures:				
Equipment payments and purchases	104,087	50,808	\$ 252,718	\$ (201,910)
Receipts under expenditures	(44,087)	(808)		
Unencumbered cash, beginning of year	213,473	169,386		
Unencumbered cash, end of year	\$ 169,386	\$ 168,578		

CITY OF HOLCOMB, KANSAS
 Capital Improvement Reserve Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Intergovernmental revenue	\$ 19,614	\$ 141,015	\$ -	\$ 141,015
Rent	7,300	7,200	5,000	2,200
Transfer from General	125,000	215,000	215,000	-
Total cash receipts	151,914	363,215	\$ 220,000	\$ 143,215
Expenditures:				
Capital improvements	125,300	-	\$ 452,867	\$ (452,867)
Receipts over expenditures	26,614	363,215		
Unencumbered cash, beginning of year	275,867	302,481		
Unencumbered cash, end of year	\$ 302,481	\$ 665,696		

CITY OF HOLCOMB, KANSAS
 Health Insurance Reserve Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Transfers from General	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Health insurance	14,750	9,000	\$ -	\$ 9,000
Transfer to General	13,250	-	9,000	(9,000)
Total expenditures	28,000	9,000	\$ 9,000	\$ -
Receipts under expenditures	(28,000)	(9,000)		
Unencumbered cash, beginning of year	37,000	9,000		
Unencumbered cash, end of year	\$ 9,000	\$ -		

CITY OF HOLCOMB, KANSAS
 ADSAP Fees Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Revenue:				
Fees collected	\$ -	\$ -	<u>\$ 1,000</u>	<u>\$ (1,000)</u>
Expenditures:				
Fees paid	-	-	<u>\$ 3,700</u>	<u>\$ (3,700)</u>
Receipts over expenditures	-	-		
Unencumbered cash, beginning of year	<u>2,700</u>	<u>2,700</u>		
Unencumbered cash, end of year	<u>\$ 2,700</u>	<u>\$ 2,700</u>		

CITY OF HOLCOMB, KANSAS
 Clutter Memorial Fund
 Schedule of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year Actual
Cash receipts:		
Donations	\$ 150	\$ -
Expenditures:		
Capital outlay	1,090	-
Receipts over (under) expenditures	(940)	-
Unencumbered cash, beginning of year	940	-
Unencumbered cash, end of year	\$ -	\$ -

CITY OF HOLCOMB, KANSAS
 Bond and Interest Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Taxes	\$ 7,924	\$ 2,674	\$ -	\$ 2,674
Special assessments	9,551	15,146	5,000	10,146
Transfer from Water and Sewer Utility	120,000	140,000	140,000	-
Transfer from Storm Sewer Utility	76,000	76,000	246,000	(170,000)
Total cash receipts	213,475	233,820	\$ 391,000	\$ (157,180)
Expenditures:				
Principal	125,000	150,000	\$ 320,000	\$ (170,000)
Interest and fiscal fees	124,162	103,727	103,926	(199)
Cash basis reserve	-	-	982	(982)
Total expenditures	249,162	253,727	\$ 424,908	\$ (171,181)
Receipts under expenditures	(35,687)	(19,907)		
Unencumbered cash, beginning of year	73,688	38,001		
Unencumbered cash, end of year	<u>\$ 38,001</u>	<u>\$ 18,094</u>		

CITY OF HOLCOMB, KANSAS
 Water and Sewer Utility Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Charges for services	\$ 489,166	\$ 539,168	\$ 510,000	\$ 29,168
Connects and disconnects	16,510	14,230	-	14,230
Miscellaneous	488	778	-	778
Transfer from Customer Deposits	-	26,674	-	26,674
Total cash receipts	506,164	580,850	\$ 510,000	\$ 70,850
Expenditures:				
Water	162,201	169,540	\$ 270,000	\$ (100,460)
Sewer	91,905	85,507	-	85,507
General administration	10,221	11,801	9,800	2,001
Capital outlay	-	-	33,000	(33,000)
Transfer to Equipment Reserve	10,000	10,000	10,000	-
Transfer to Sewer Reserve	21,000	21,000	21,000	-
Transfer to Water Bond and Interest	45,000	45,000	45,000	-
Transfer to Bond and Interest	120,000	140,000	140,000	-
Transfer to Water Depreciation	60,000	60,000	60,000	-
Total expenditures	520,327	542,848	\$ 588,800	\$ (45,952)
Receipts over (under) expenditures	(14,163)	38,002		
Unencumbered cash, beginning of year	340,389	326,226		
Unencumbered cash, end of year	<u>\$ 326,226</u>	<u>\$ 364,228</u>		

CITY OF HOLCOMB, KANSAS
 Water Depreciation Reserve Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Transfer from Water and Sewer Utility	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Expenditures:				
Capital outlay	2,769	-	\$ 150,000	\$ (150,000)
Receipts over expenditures	57,231	60,000		
Unencumbered cash, beginning of year	64,189	121,420		
Unencumbered cash, end of year	\$ 121,420	\$ 181,420		

CITY OF HOLCOMB, KANSAS
 Water Bond and Interest Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Transfer from Water and Sewer Utility	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
Expenditures:				
Principal	35,000	35,000	\$ 35,000	\$ -
Interest and fiscal fees	5,925	4,630	4,630	-
Fiscal fees	6	7	400	(393)
Total expenditures	40,931	39,637	\$ 40,030	\$ (393)
Receipts over expenditures	4,069	5,363		
Unencumbered cash, beginning of year	28,783	32,852		
Unencumbered cash, end of year	\$ 32,852	\$ 38,215		

CITY OF HOLCOMB, KANSAS
 Sewer Reserve Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Transfer from Water and Sewer Utility	\$ 21,000	\$ 21,000	\$ 21,000	\$ -
Expenditures:				
Capital outlay	-	-	\$ 229,024	\$ (229,024)
Receipts over expenditures	21,000	21,000		
Unencumbered cash, beginning of year	197,024	218,024		
Unencumbered cash, end of year	\$ 218,024	\$ 239,024		

CITY OF HOLCOMB, KANSAS
Customer Deposits Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Customer deposits	\$ 5,674	\$ 6,560	\$ 8,000	\$ (1,440)
Expenditures:				
Refunds	483	354	\$ 8,000	\$ (7,646)
Transfer to Water and Sewer Utility	-	26,674	-	26,674
Total expenditures	483	27,028	\$ 8,000	\$ 19,028
Receipts over (under) expenditures	5,191	(20,468)		
Unencumbered cash, beginning of year	33,360	38,551		
Unencumbered cash, end of year	\$ 38,551	\$ 18,083		

CITY OF HOLCOMB, KANSAS
Solid Waste Utility Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts				
Charges for services	\$ 130,367	\$ 130,193	\$ 130,000	\$ 193
Expenditures:				
Personnel services	31,780	31,600	\$ 35,000	\$ (3,400)
Contractual services	65,572	64,730	68,000	(3,270)
Commodities	16,884	22,986	21,050	1,936
Capital outlay	-	-	10,000	(10,000)
Transfer to General	10,000	10,000	10,000	-
Transfer to Equipment Reserve	10,000	-	-	-
Total expenditures	134,236	129,316	\$ 144,050	\$ (14,734)
Receipts over (under) expenditures	(3,869)	877		
Unencumbered cash, beginning of year	36,078	32,209		
Unencumbered cash, end of year	\$ 32,209	\$ 33,086		

CITY OF HOLCOMB, KANSAS
 Storm Sewer Utility Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Revenue:				
Charges for services	\$ 82,441	\$ 82,675	\$ 78,000	\$ 4,675
Expenditures:				
Capital outlay	-	9,620	\$ 75,165	\$ (65,545)
Transfer to Bond and Interest	76,000	76,000	246,000	(170,000)
Total expenditures	76,000	85,620	\$ 321,165	\$ (235,545)
Receipts over (under) expenditures	6,441	(2,945)		
Unencumbered cash, beginning of year	241,165	247,606		
Unencumbered cash, end of year	\$ 247,606	\$ 244,661		

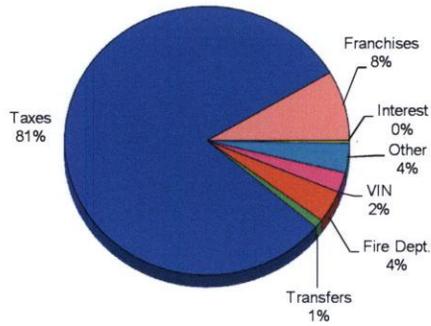
CITY OF HOLCOMB, KANSAS
Schedule of Insurance in Force
December 31, 2011

<u>Type of Insurance - Insurer</u>	<u>Policy Number</u>	<u>Premium</u>	<u>Insured Amount</u>
Employers Mutual Casualty Company Expiration Date: 4-1-12	8X5-74-74-12		
Buildings and personal property -			
Commercial property		\$ 5,105	\$ 2,083,785
Inland marine		2,542	449,242
Linebacker		2,055	1,000,000
Comprehensive General Liability Policy -		2,576	
Personal injury liability			1,000,000
Property damage liability			1,000,000
Combination Auto Policy -		8,991	
Bodily injury and property damage			500,000
Automobile medical payments			2,000
Uninsured motorist			500,000
Underinsured motorist			500,000
Kansas Municipal Insurance Trust Expiration Date: 12-31-11			
Workmen's Compensation and Employer's Liability		15,051	Statutory

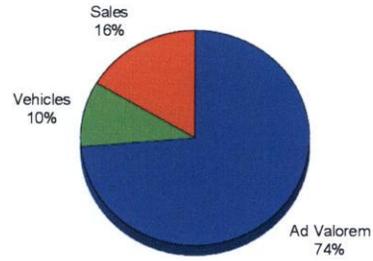
OTHER SUPPLEMENTAL INFORMATION

CITY OF HOLCOMB, KANSAS
 Revenue - General Fund
 For the Year Ended December 31

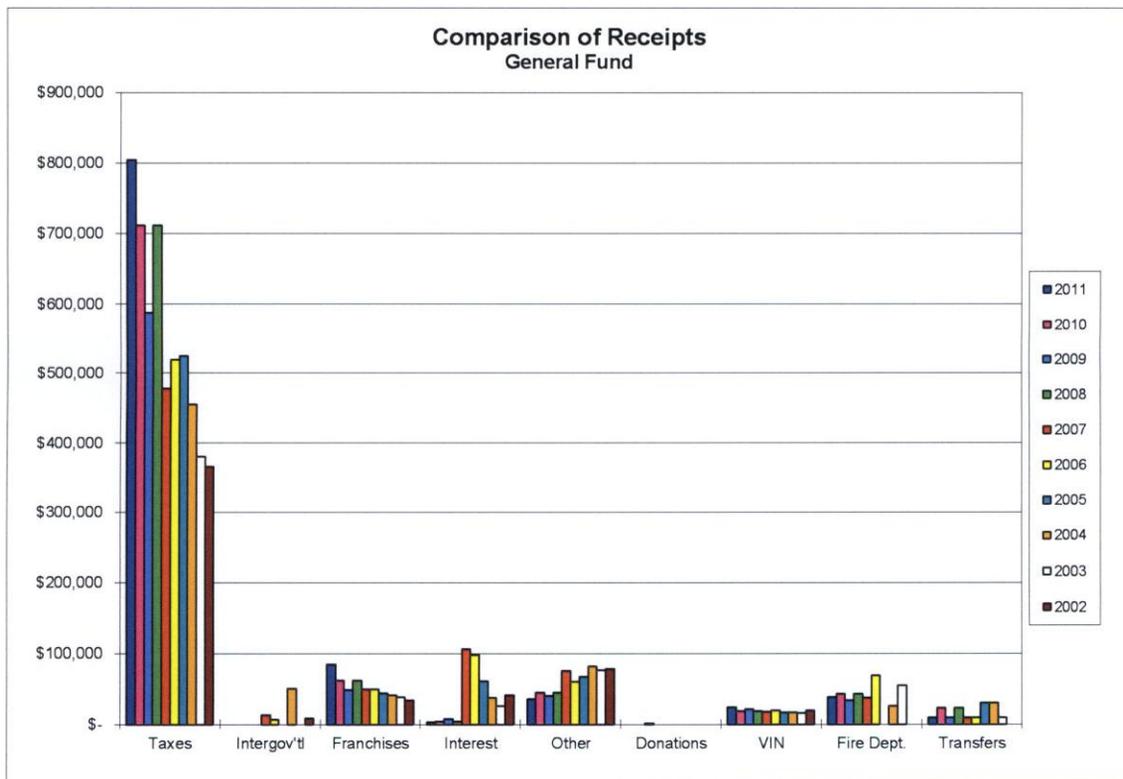
2011 Receipts
 General Fund



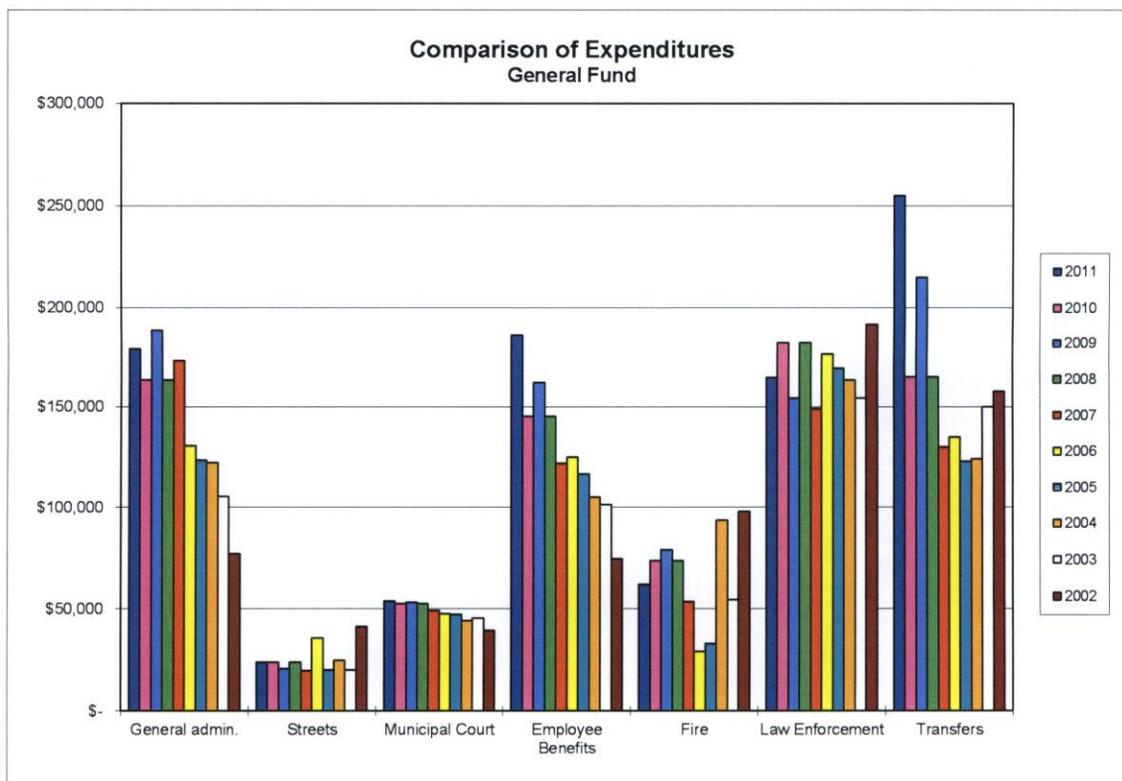
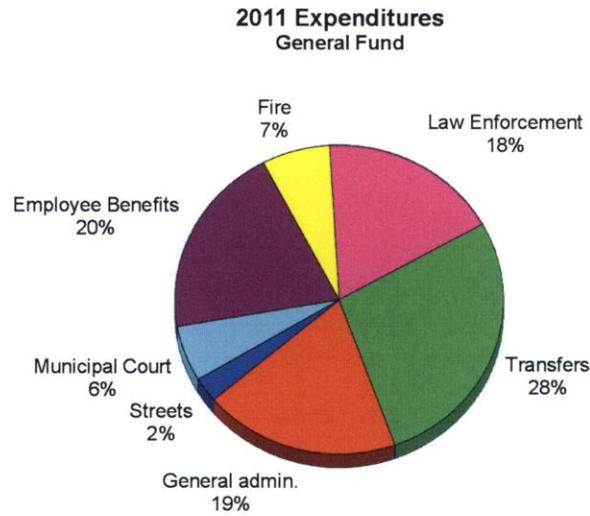
2011 Taxes
 General Fund



Comparison of Receipts
 General Fund



CITY OF HOLCOMB, KANSAS
Expenditures - General Fund
For the Year Ended December 31



CITY OF HOLCOMB, KANSAS
Comparison of Receipts and Expenditures - General Fund
For the Year Ended December 31

