

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

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

TABLE OF CONTENTS

INTRODUCTORY SECTION

Title Page
Table of Contents

FINANCIAL SECTION

Independent Auditors' Report 1-2

STATEMENT 1

Summary of Cash Receipts, Expenditures and Unencumbered Cash 3

Notes to Financial Statements 4-11

SUPPLEMENTAL SCHEDULES

Schedule 1

Summary of Expenditures - Actual and Budget 13

Schedule 2

Schedule of Cash Receipts and Expenditures - Actual and Budget -

General Fund	14-15
Special Street and Highway Fund	16
Equipment Reserve Fund	17
Memorial Contribution Fund	18
Bond and Interest Fund	19
Capital Project Fund	20
Water Utility Fund	21
Water Depreciation Reserve Fund	22
Water Deposits Fund	23

OTHER SUPPLEMENTAL INFORMATION

Graphs 25-27



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council Members
City of Sublette, Kansas

We have audited the summary statement of cash receipts, expenditures and unencumbered cash of the City of Sublette, 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 Sublette, 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 Sublette, 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.

405 North Sixth Street | P.O. Box 699
Garden City, KS 67846
620-275-9267 | 800-627-0636
Fax: 620-275-8936 | www.lhd.com

CPAs

Charles H. Claar, Jr, CPA
Theresa Dasenbrock, CPA, CFE
David L. Hetrick, CPA
Steven D. Jossierand, CPA
Gary A. Schlappe, CPA
Rodney Van Norden, CPA

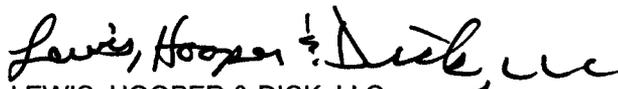
Lisa L. Axman, CPA
Sue A. Bradley, CPA
Susan A. Burgardt, CPA
Shannon N. Euliss, CPA
Tracey Homm, CPA, CSEP
Kimberly A. Roth, CPA
Kristin J. Sekavec, CPA
Monica J. Wilson, CPA

The Honorable Mayor and City Council Members
City of Sublette, Kansas
Page two

Our audit was performed for the purpose of forming an opinion on the financial statement of the City of Sublette, Kansas. The accompanying financial information listed as supplemental schedules 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 May 12, 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 26, 2012

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

Fund	Unencumbered Cash 1/1/11	Cash Receipts	Expenditures	Unencumbered Cash (Deficit) 12/31/11	Outstanding Encumbrances and Payables	Treasurer's Cash (Deficit) 12/31/11
Governmental Type Funds:						
General	\$ 119,772	\$ 934,041	\$ 827,044	\$ 226,769	\$ 34,264	\$ 261,033
Special Revenue:						
Special Street and Highway	19,213	38,282	29,899	27,596	-	27,596
Equipment Reserve	96,139	35,541	16,991	114,689	-	114,689
Memorial Contributions	2,990	-	-	2,990	-	2,990
Debt Service:						
Bond and Interest	-	-	-	-	-	-
Capital Projects:						
Capital Projects	8,111	364,178	381,257	(8,968)	-	(8,968)
Proprietary Type Funds:						
Water Utility	259,071	393,018	276,403	375,686	7,069	382,755
Water Depreciation Reserve	309,704	918,000	432,830	794,874	563	795,437
Water Deposits	29,012	2,620	650	30,982	50	31,032
Total Reporting Entity (memorandum only)	<u>\$ 844,012</u>	<u>\$ 2,685,680</u>	<u>\$ 1,965,074</u>	<u>\$ 1,564,618</u>	<u>\$ 41,946</u>	<u>\$ 1,606,564</u>

Composition of cash:

Centera Bank:		
Money market checking account		\$ 908,632
Checking account		97,332
Petty cash checking account		500
Total cash in bank		\$ 1,006,464
Certificates of deposit		600,000
Change fund - water utility		100
Total cash		<u>\$ 1,606,564</u>

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

CITY OF SUBLETTE, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2011

1. Summary of significant accounting policies

The City of Sublette, 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, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities 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 Sublette (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 accounting principles generally accepted in the United States of America 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 generally accepted accounting principles, 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. 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 SUBLETTE, 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 funds 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 for and the payment of general long-term debt principal, interest and related costs.

Capital Project Funds - The capital project funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary 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. 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.

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

CITY OF SUBLETTE, 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)

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 is to recognize the costs of compensated absences when actually paid.

The City's policy regarding vacation leave pay permits employees to accumulate vacation days at a maximum rate of 18 days per year. The City has estimated the dollar amount of accumulated vacation leave pay at December 31, 2011, at \$6,512.

The City's policy regarding sick leave pay permits employees to accumulate leave days at a maximum rate of 12 days per year for total accumulation of 60 days. Sick leave may be used for sick leave, bereavement leave and personal leave. The City does not pay employees for unused sick leave; the estimated dollar amount of accumulated sick leave pay at December 31, 2011, is \$13,762.

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 SUBLETTE, 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 in the current year. However, a qualifying budget adjustment for expenditures outside the legal maximum budget for the Water Depreciation Reserve fund exists as allowed per Kansas statutes 65-163d through 65-163u for public water supply improvements.

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 statutory basis of accounting, in which revenues are recognized when cash is received, and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budget authority lapses at year end.

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

CITY OF SUBLETTE, 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:

- A deficit cash balance per Kansas statutes 10-1113 and 10-1121 occurred in the Capital Project fund at December 31, 2011, due to the expending of monies in excess of available cash by \$8,968. This was a result of the project requiring the City to expend the funds on a reimbursement basis. The City received the balance of monies due in 2012.
- Kansas statute 60-111 requires contractors to provide bonds for all public works projects over \$100,000. During 2011, a contractor's bond was not obtained for the well drilling project. A public works bond protects the City from future liability for indebtedness for the project should the contractor default on its obligations.

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:

Cash on hand	\$ 100
Carrying amount of deposits	<u>1,606,464</u>
Total cash	<u>\$ 1,606,564</u>

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. The rating of the City's investments is noted above.

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.

CITY OF SUBLETTE, 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

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".

At December 31, 2011, the City's carrying amount of deposits was \$1,606,464 and the bank balance was \$1,611,352. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$352,477 was covered by federal depository insurance and \$1,258,875 was collateralized with securities held by the pledging financial institutions' agents in the City's name. The City's cash deposits at year-end are as follows:

	<u>Centera Bank</u>
FDIC Coverage	\$ 352,477
Pledged securities at market value	1,850,061
Total coverage	\$ 2,202,538
Funds on deposit	\$ 1,611,352
Funds at risk	\$ -

Custodial 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 between funds

Interfund operating transfers are as follows:

	<u>From</u>	<u>To</u>	<u>Statutory Authority</u>		
General		Equipment Reserve	12-1117	\$	35,541
General		Capital Project	12-1117		12,111
Water Utility		General	12-825d		60,000
Water Utility		Water Depreciation Reserve	12-825d		10,000

CITY OF SUBLETTE, 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 project authorizations with approved change orders compared to disbursements and accounts payable from inception at December 31, 2011, are as follows:

	Project Authorization	Disbursements and Accounts Payable to Date	Committed
Airport runway project	\$ 416,898	\$ 416,898	\$ -
Water system improvements	903,000	365,706	537,294
Street sealing	10,440	10,440	-
Paint water tower	42,900	42,900	-
Bloomfield Addition	929,440	-	929,440

D. Long-term debt

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

Issue	Date of Issue	Maximum Rate	Date of Final Maturity	Amount of Issue	Balance 1/1/11	Additions	Reductions/ Payments	Net Change	Balance 12/31/11	Interest Paid
Temporary notes payable:										
Series 2011	08/15/11	1.90%	08/01/12	\$ 908,000	\$ -	\$ 908,000	\$ -		\$ 908,000	\$ -
Total contractual indebtedness					-	908,000	-		908,000	-
Employee compensated absences payable:										
Accrued vacation (net change)					8,623			\$ (2,111)	6,512	
Total long-term debt					\$ 8,623	\$ 908,000	\$ -	\$ (2,111)	\$ 914,512	\$ -

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

	Year 2012	Total
Principal:		
Temporary notes payable	\$ 908,000	\$ 908,000
Total principal	908,000	908,000
Interest:		
Temporary notes payable	16,581	16,581
Total interest	16,581	16,581
Total principal and interest	\$ 924,581	\$ 924,581

Subsequent to December 31, 2011, the City entered into a capital lease agreement in the amount of \$70,854 at a rate of 4.15% for the acquisition of fire equipment. Annual payments of \$11,871 for principal and interest are required from 2013 through maturity April 16, 2019.

CITY OF SUBLETTE, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2011

3. Detailed notes on all funds (continued)

D. Long-term debt (continued)

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.

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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B. Post-employment health care benefits

As provided by K.S.A. 12-5040, the 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. Retirement plan

In 2001, the City established SEP-IRA's for employees with contributions paid annually. Employees are covered after meeting length of service requirements. The contribution to the plan during 2011 was \$8,838, which is 5% of the gross salaries of the participants. The total covered payroll under the plan was \$176,763 for 2011. At December 31, 2011, the plan had five participants.

D. Related party transactions

The City purchases goods and services from businesses operated by City Council members and/or their immediate families. The City paid these businesses \$50,334 during the year ended December 31, 2011.

E. Subsequent events

Subsequent to December 31, 2011, the City entered into an agreement for a wastewater treatment facility evaluation in the amount of \$6,000 resulting in an improvement project estimated at \$1,324,000. In addition the City accepted bids for waterline replacement at a cost of \$47,148, the purchase of oil for street sealing in the amount of \$58,500, the purchase of fire equipment at a cost of \$80,294 to be funded through a lease purchase agreement, and the approved the purchase of a tractor mower at a cost of \$50,000.

SUPPLEMENTAL SCHEDULES

CITY OF SUBLETTE, 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	\$ 857,961	\$ -	\$ 857,961	\$ 827,044	\$ (30,917)
Special Revenue:					
Special Street and Highway Equipment Reserve	101,027 144,748	- -	101,027 144,748	29,899 16,991	(71,128) (127,757)
Debt Service:					
Bond and Interest	-	-	-	-	-
Proprietary Type Funds:					
Water Utility	315,920	-	315,920	276,403	(39,517)
Water Depreciation Reserve	295,153	908,000	1,203,153	432,830	(770,323)
Water Deposits	37,206	-	37,206	650	(36,556)

CITY OF SUBLETTE, 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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Ad valorem tax	\$ 355,380	\$ 395,399	\$ 407,355	\$ (11,956)
Delinquent tax	11,075	9,401	-	9,401
Motor and recreational vehicle tax	56,554	60,550	45,594	14,956
Sales and compensating use tax	156,567	259,259	132,030	127,229
Franchise taxes	77,861	70,711	64,750	5,961
Trash collections	62,498	62,628	62,900	(272)
Licenses and permits	675	960	1,000	(40)
Park	5,630	5,128	5,000	128
Fines and forfeitures	1,883	4,480	1,750	2,730
Reimbursed expense	3,311	2,063	3,335	(1,272)
Miscellaneous	2,408	2,244	500	1,744
Interest on idle funds	1,191	1,218	500	718
Transfer from Bond and Interest	4,989	-	-	-
Transfer from Water Utility	60,000	60,000	60,000	-
Total cash receipts	800,022	934,041	\$ 784,714	\$ 149,327
Expenditures:				
General government:				
Salaries	2,280	2,280	\$ 2,500	\$ (220)
Contractual	50,438	50,234	48,125	2,109
Commodities	9,578	10,926	11,500	(574)
Capital outlay	10,815	23,882	1,900	21,982
Miscellaneous	16,222	10,065	-	10,065
Total general government	89,333	97,387	64,025	33,362
Police:				
Salaries	19,400	23,311	16,200	7,111
Contractual	100,200	104,200	104,000	200
Commodities	208	-	1,000	(1,000)
Miscellaneous	630	50	-	50
Total police	120,438	127,561	121,200	6,361
Street:				
Salaries	164,587	145,633	184,945	(39,312)
Contractual	31,280	67,952	23,000	44,952
Commodities	83,604	75,923	82,400	(6,477)
Capital outlay	-	-	1,400	(1,400)
Miscellaneous	6,359	2,925	-	2,925
Total street	285,830	292,433	291,745	688

(continued)

CITY OF SUBLETTE, 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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
(continued)				
Expenditures:				
Fire:				
Salaries	\$ 12,285	\$ 15,095	\$ 12,155	\$ 2,940
Contractual	1,093	3,727	6,000	(2,273)
Commodities	7,615	17,386	10,000	7,386
Capital outlay	33,218	-	25,844	(25,844)
Miscellaneous	170	105	-	105
Total fire	<u>54,381</u>	<u>36,313</u>	<u>53,999</u>	<u>(17,686)</u>
Swimming pool and parks:				
Salaries	20,177	23,018	20,100	2,918
Contractual	1,648	6,148	6,000	148
Commodities	26,600	13,925	20,000	(6,075)
Capital outlay	-	-	500	(500)
Miscellaneous	1,546	270	-	270
Total swimming pool and parks	<u>49,971</u>	<u>43,361</u>	<u>46,600</u>	<u>(3,239)</u>
Health, sanitation and sewer:				
Contractual	61,201	55,831	81,600	(25,769)
Commodities	9,385	4,419	16,000	(11,581)
Capital outlay	-	-	10,000	(10,000)
Miscellaneous	2,599	3,052	-	3,052
Total health, sanitation and sewer	<u>73,185</u>	<u>63,302</u>	<u>107,600</u>	<u>(44,298)</u>
Airport improvements:				
Capital outlay	-	-	1,000	(1,000)
Employee benefits:				
Employer FICA	16,448	15,720	19,900	(4,180)
Workmen's compensation	13,744	14,795	22,700	(7,905)
Medical insurance	73,368	79,548	81,651	(2,103)
Employee retirement	9,649	8,972	12,000	(3,028)
Total employee benefits	<u>113,209</u>	<u>119,035</u>	<u>136,251</u>	<u>(17,216)</u>
Temporary note payments	<u>40,800</u>	-	-	-
Transfers out	<u>22,000</u>	<u>47,652</u>	<u>35,541</u>	<u>12,111</u>
Total expenditures	<u>849,147</u>	<u>827,044</u>	<u>\$ 857,961</u>	<u>\$ (30,917)</u>
Receipts over (under) expenditures	(49,125)	106,997		
Unencumbered cash, beginning	<u>168,897</u>	<u>119,772</u>		
Unencumbered cash, ending	<u>\$ 119,772</u>	<u>\$ 226,769</u>		

CITY OF SUBLETTE, KANSAS
 SPECIAL STREET AND 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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
State payments	\$ 39,604	\$ 38,282	\$ 40,910	\$ (2,628)
Expenditures:				
Salaries	-	-	\$ 10,300	\$ (10,300)
Commodities	80,395	29,899	90,727	(60,828)
Total expenditures	80,395	29,899	\$ 101,027	\$ (71,128)
Receipts over (under) expenditures	(40,791)	8,383		
Unencumbered cash, beginning	60,004	19,213		
Unencumbered cash, ending	\$ 19,213	\$ 27,596		

CITY OF SUBLETTE, 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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Transfer from General	\$ 10,000	\$ 35,541	\$ 35,541	\$ -
Expenditures:				
Equipment purchases	23,068	16,991	\$ 144,748	\$ (127,757)
Receipts over (under) expenditures	(13,068)	18,550		
Unencumbered cash, beginning	109,207	96,139		
Unencumbered cash, ending	\$ 96,139	\$ 114,689		

CITY OF SUBLETTE, KANSAS
 MEMORIAL CONTRIBUTION 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)

	<u>Prior Actual</u>	<u>Actual</u>
Cash receipts:		
Donations	<u>\$ 100</u>	<u>\$ -</u>
Expenditures:		
Capital outlay	<u> -</u>	<u> -</u>
Receipts over expenditures	100	-
Unencumbered cash, beginning	<u>2,890</u>	<u>2,990</u>
Unencumbered cash, ending	<u><u>\$ 2,990</u></u>	<u><u>\$ 2,990</u></u>

CITY OF SUBLETTE, 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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Delinquent tax	\$ 3	\$ -	\$ -	\$ -
Special assessments	1,195	-	-	-
Total cash receipts	1,198	-	\$ -	\$ -
Expenditures:				
Transfer to General	4,989	-	\$ -	\$ -
Receipts over (under) expenditures	(3,791)	-		
Unencumbered cash, beginning	3,791	-		
Unencumbered cash, ending	\$ -	\$ -		

CITY OF SUBLETTE, KANSAS
 CAPITAL PROJECT 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 Actual	Actual
Cash receipts:		
State payments	\$ -	\$ 352,067
Transfer from other funds	-	12,111
Total cash receipts	-	364,178
Expenditures:		
Capital outlay	-	381,257
Receipts over (under) expenditures	-	(17,079)
Unencumbered cash, beginning	8,111	8,111
Unencumbered cash (deficit), ending	\$ 8,111	\$ (8,968)

CITY OF SUBLETTE, KANSAS
WATER 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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Water collections	\$ 262,644	\$ 295,334	\$ 263,500	\$ 31,834
Royalties	86,532	86,173	10,900	75,273
Sale of water meters	972	390	1,500	(1,110)
Interest	2,530	2,436	10,000	(7,564)
Miscellaneous	-	8,685	2,500	6,185
Total cash receipts	352,678	393,018	\$ 288,400	\$ 104,618
Expenditures:				
Salaries	54,177	49,358	\$ 51,420	\$ (2,062)
Repairs and maintenance	9,492	37,244	31,000	6,244
Electric power	67,257	68,507	100,000	(31,493)
Sales tax	1,324	1,708	5,000	(3,292)
Accounting and legal services	-	-	5,000	(5,000)
Meters and supplies	6,684	13,482	15,000	(1,518)
Office supplies and postage	339	1,398	8,500	(7,102)
Gas, oil and service	3,557	7,957	5,000	2,957
Miscellaneous	21,960	26,749	5,000	21,749
Capital expenditures	-	-	20,000	(20,000)
Transfer to General	60,000	60,000	60,000	-
Transfer to Water Depreciation Reserve	10,000	10,000	10,000	-
Total expenditures	234,790	276,403	\$ 315,920	\$ (39,517)
Receipts over expenditures	117,888	116,615		
Unencumbered cash, beginning	141,183	259,071		
Unencumbered cash, ending	\$ 259,071	\$ 375,686		

CITY OF SUBLETTE, 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)

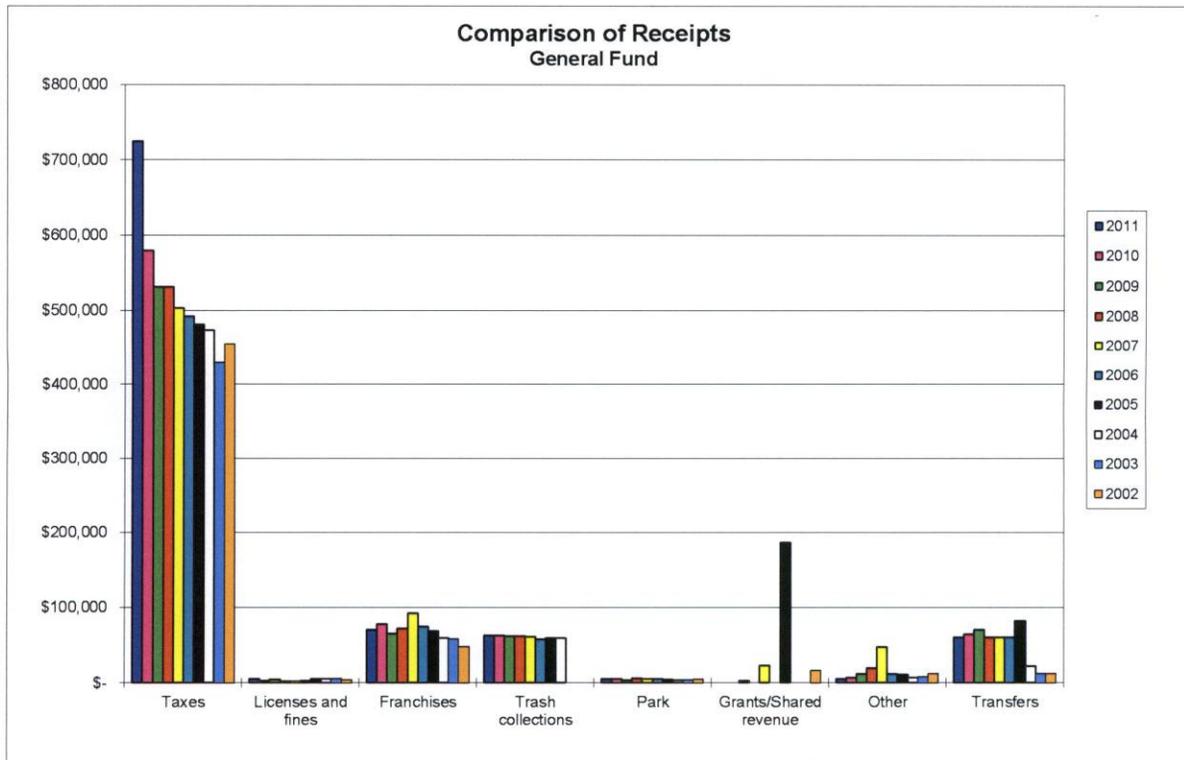
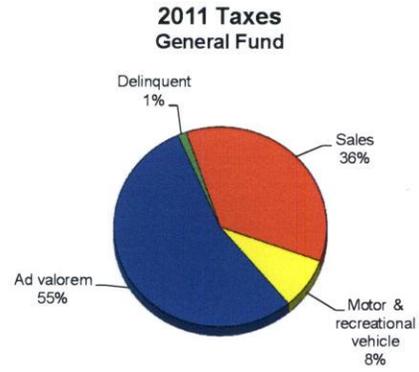
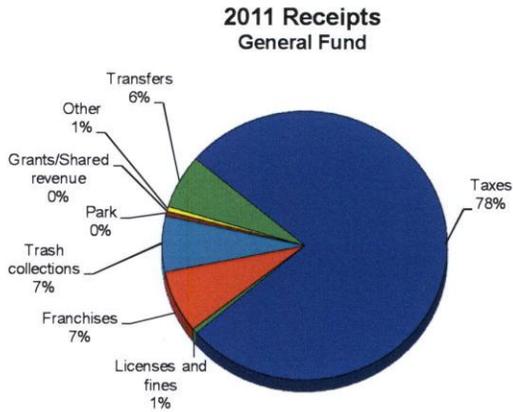
	Prior Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Transfer from General	\$ 12,000	\$ -	\$ -	\$ -
Transfer from Water Utility	10,000	10,000	10,000	-
Temporary note proceeds	-	908,000	908,000	-
Interest	800	-	-	-
Total cash receipts	<u>22,800</u>	<u>918,000</u>	<u>\$ 918,000</u>	<u>\$ -</u>
Expenditures:				
Capital outlay	<u>101,249</u>	<u>432,830</u>	<u>\$ 1,203,153</u>	<u>\$ (770,323)</u>
Receipts over (under) expenditures	(78,449)	485,170		
Unencumbered cash, beginning	<u>388,153</u>	<u>309,704</u>		
Unencumbered cash, ending	<u>\$ 309,704</u>	<u>\$ 794,874</u>		

CITY OF SUBLETTE, KANSAS
WATER 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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Customer deposits	\$ 2,250	\$ 2,620	\$ 4,000	\$ (1,380)
Expenditures:				
Customer deposit refunds	4,837	650	\$ 37,206	\$ (36,556)
Receipts over (under) expenditures	(2,587)	1,970		
Unencumbered cash, beginning	31,599	29,012		
Unencumbered cash, ending	\$ 29,012	\$ 30,982		

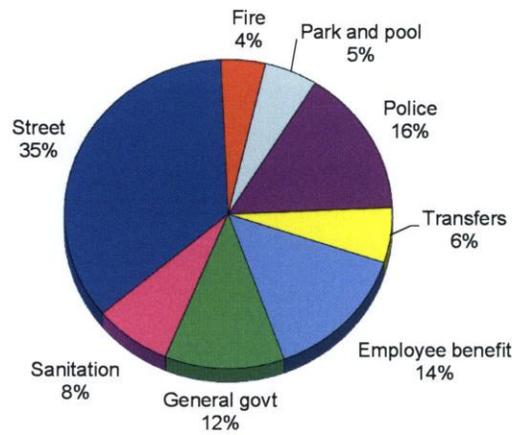
OTHER SUPPLEMENTAL INFORMATION

CITY OF SUBLETTE, KANSAS
 Receipts - General Fund
 For the Year Ended December 31

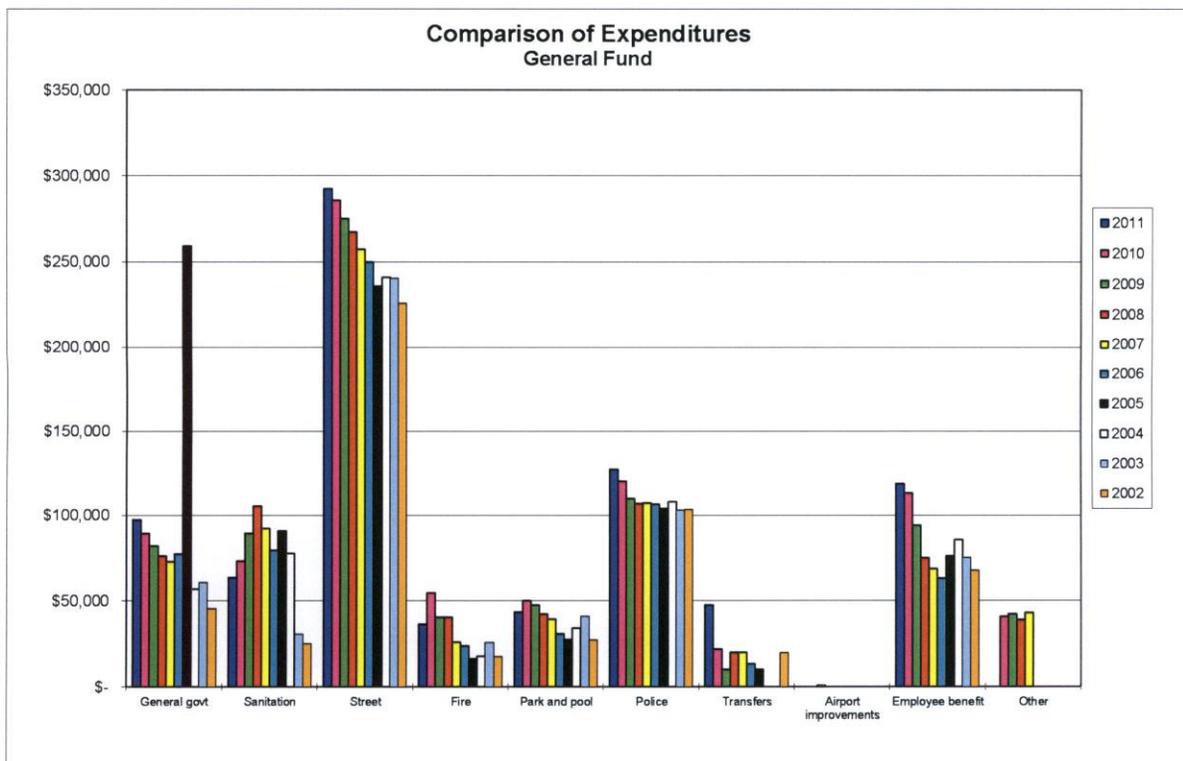


CITY OF SUBLETTE, KANSAS
Expenditures - General Fund
For the Year Ended December 31

2011 Expenditures
General Fund



Comparison of Expenditures
General Fund



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

