

CITY OF BUCKLIN, KANSAS
REGULATORY BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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FOR THE YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statement

We have audited the accompanying regulatory basis fund summary statement of receipts, expenditures and unencumbered cash of the City of Bucklin, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Bucklin, Kansas, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* of the State of Kansas, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

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Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the regulatory basis fund summary statement of receipts, expenditures and unencumbered balances (basic financial statement) as a whole. The regulatory basis summary of expenditures - actual and budget, and the regulatory basis individual fund schedules of receipts and expenditures - actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement; however, they are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2011 actual columns presented in the individual fund schedules of 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 2011 financial statement upon which we rendered an unqualified opinion dated July 3, 2012. The 2011 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 2011 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 2011 financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statement or to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statement 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

LEWIS, HOOPER & DICK, LLC

March 15, 2013

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

Funds	Unencumbered Cash 1/1/12	Receipts and Transfers	Expenditures and Transfers	Unencumbered Cash 12/31/12	Add Payables and Encumbrances	Treasurer's Cash 12/31/12
Governmental Type Funds						
General	\$ 107,437	\$ 470,356	\$ 435,081	\$ 142,712	\$ 14,020	\$ 156,732
Special Purpose Funds:						
Special Highway	88,220	20,806	50,000	59,026	-	59,026
Library	-	56,530	56,530	-	-	-
Equipment Reserve	32,676	5,000	14,344	23,332	-	23,332
Capital Improvement Reserve	5,096	-	-	5,096	-	5,096
Fire Equipment Reserve	16	7,200	7,212	4	-	4
Total special purpose funds	126,008	89,536	128,086	87,458	-	87,458
Bond and Interest	27,728	93,343	92,737	28,334	-	28,334
Business Funds						
Water Utility:						
General	198,488	204,710	174,817	228,381	-	228,381
Customer Deposits	3,753	2,000	2,000	3,753	-	3,753
Water Depreciation Reserve	232,286	10,000	21,125	221,161	-	221,161
Sewer Utility:						
General	3,289	36,884	39,991	182	-	182
Sewer Bond and Interest	152,550	84,647	70,790	166,407	-	166,407
Sewer Depreciation Reserve	92,204	-	21,125	71,079	-	71,079
Total business funds	682,570	338,241	329,848	690,963	-	690,963
Total Municipality (Memorandum only)	\$ 943,743	\$ 991,476	\$ 985,752	\$ 949,467	\$ 14,020	\$ 963,487
Composition of Cash:						
Farmers State Bank						\$ 325,565
Bucklin National Bank						317,532
Deposits in transit						95
Outstanding checks						(6,346)
Total cash in bank						636,846
Investments						326,491
Petty cash						150
Total cash						\$ 963,487

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

CITY OF BUCKLIN, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2012

1. Summary of significant accounting policies

The City of Bucklin, Kansas was incorporated under the provisions of the State of Kansas. The City operates under a mayor-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.

A. Financial reporting entity

The City is governed by an elected five-member council and a mayor. This financial statement presents the City of Bucklin (the municipality) only. The organizations, functions or activities discussed below are related municipal entities of the City's reporting entity because of the significance of their operational or financial relationships with the City; however, they are not included in the City's financial statement.

The Bucklin Public Library has its own Board of Directors, who operates independently from the City even though appointed by the City Council. The Library is a separate, legal municipality that prepares its own budget. The taxes budgeted by the Library are appropriated by the City and are required to be distributed to the Library. The Board of Directors is responsible for the management and fiscal accountability of the Library. The financial statements of the Bucklin Public Library are available through the Library.

The Bucklin Housing Authority has its own Board of Directors, who operates independently from the City even though appointed by the City Council. The Board of Directors is responsible for the management and fiscal accountability of the Housing Authority. The financial statements of the Bucklin Housing Authority are available through the Housing Authority's Board of Directors.

In addition to the above related municipal entities, the City is a participating member in a jointly governed organization that operates the Bucklin Cemetery District. The District is an independent taxing entity with a Board consisting of members from each participating municipality. No one municipality has control of the District's Board.

B. Regulatory basis of accounting and departure from accounting principles generally accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The *Kansas Municipal Audit and Accounting Guide* regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

CITY OF BUCKLIN, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2012

1. Summary of significant accounting policies (continued)

C. Regulatory basis fund types

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:

General fund – the chief operating fund; used to account for all resources except those required to be accounted for in another fund.

Special Purpose funds – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest funds – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project funds – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.).

Trust funds – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency funds – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

D. 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.

E. 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 BUCKLIN, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2012

1. Summary of significant accounting policies (continued)

E. 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 City 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 receipts 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.

F. Interfund transactions

Quasi-external transactions (i.e., transactions that would be treated as receipts or expenditures if they involved organizations external to the governmental unit, such as internal service fund billings to departments) are accounted for as 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.

G. Reimbursements

A reimbursement is an expenditure 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 in the reimbursing fund, and a reduction of expenditure in the reimbursed fund, following the authoritative guidance of the *Governmental Accounting, Auditing and Financial Reporting*.

H. Memorandum totals

Totals on the financial statement 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 BUCKLIN, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2012

2. Stewardship, compliance and accountability

A. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds and business 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 receipts 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 budget amendments for the year ended December 31, 2012.

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. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which receipts 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 budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital projects funds, trust funds and certain special purpose 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.

B. Compliance with Kansas statutes

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

There are no known material violations of Kansas statutes for the year ended December 31, 2012.

CITY OF BUCKLIN, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2012

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 statement of receipts, expenditures and unencumbered cash on Statement 1 is as follows:

Cash on hand	\$	150
Carrying amount of deposits		<u>963,337</u>
 Total cash	 \$	 <u>963,487</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.

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". All deposits were legally secured at December 31, 2012.

At December 31, 2012, the City's carrying amount of deposits was \$963,337 and the bank balance was \$969,588. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$694,238 was covered by federal depository insurance and \$275,350 was collateralized with securities held by the pledging financial institutions' agents in the City's name. The City's cash deposits by financial institution and category of coverage at year end are as follows:

CITY OF BUCKLIN, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2012

3. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Custodial credit risk – deposits (continued)

	Bucklin National Bank	Farmer's State Bank
FDIC Coverage	\$ 441,017	\$ 253,221
Pledged securities at market value	609,745	320,741
Total coverage	<u>\$ 1,050,762</u>	<u>\$ 573,962</u>
Funds on deposit	<u>\$ 487,444</u>	<u>\$ 482,146</u>
Funds at risk	<u>\$ -</u>	<u>\$ -</u>

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, 2012.

B. Capital projects in process

Capital project authorizations with approved change orders compared to disbursements and accounts payable from inceptions at December 31, 2012, are as follows:

	Project Authorization	Disbursements and Accounts Payable to Date	Committed
Street sealing	\$ 68,345	\$ 68,345	\$ -
Curb and gutter project	57,000	-	57,000

C. Long-term debt

Changes in long-term debt for the City for the year ended December 31, 2012, were as follows:

	Date of Issue	Maximum Rate	Date of Final Maturity	Amount of Issue	Balance 1/1/12	Additions	Reductions/ Payments	Balance 12/31/12	Interest Paid
General obligation bonds payable:									
Series A, 2008	02/27/08	4.125%	2/15/48	\$ 1,301,000	\$ 1,272,455	\$ -	\$ 15,161	\$ 1,257,294	\$ 52,489
Series B, 2008	02/27/08	4.375%	2/27/48	470,000	455,623	-	5,145	450,678	19,942
Total general obligation bonds payable				<u>1,771,000</u>	<u>1,728,278</u>	<u>-</u>	<u>20,306</u>	<u>1,707,972</u>	
KDHE loans payable:									
Kansas Water Pollution Control Revolving Loan	03/01/01	3.01%	09/01/20	206,668	109,083	-	10,613	98,470	3,470
Kansas Water Pollution Control Revolving Loan	10/27/09	2.72%	03/01/21	-	526,724	-	49,296	477,428	13,994
Total KDHE loans payable				<u>206,668</u>	<u>635,807</u>	<u>-</u>	<u>59,909</u>	<u>575,898</u>	
Temporary notes payable:									
Firefighters Relief Association	10/12/04	1.00%	10/01/19	100,000	55,186	-	6,660	48,526	552
Capital leases payable:									
OshKosh Fire Truck	10/12/04	7.90%	10/01/19	46,278	16,170	-	5,145	11,025	758
Total long term debt				<u>\$ 2,123,946</u>	<u>\$ 2,435,441</u>	<u>\$ -</u>	<u>\$ 92,020</u>	<u>\$ 2,343,421</u>	<u>\$ 91,205</u>

CITY OF BUCKLIN, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2012

3. Detailed notes on all funds (continued)

C. Long-term debt (continued)

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
	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	2043-2047	2048	
Principal:													
General obligation bonds payable	\$ 21,157	\$ 22,043	\$ 22,966	\$ 23,828	\$ 24,930	\$ 141,218	\$ 173,386	\$ 212,887	\$ 261,390	\$ 320,956	\$ 394,105	\$ 89,006	\$ 1,707,972
KDHE loans payable	61,808	63,355	65,152	67,000	68,901	249,882	-	-	-	-	-	-	575,888
Temporary notes payable	6,727	6,794	6,862	6,931	7,000	14,211	-	-	-	-	-	-	48,525
Capital leases payable	5,386	5,640	-	-	-	-	-	-	-	-	-	-	11,026
Total principal	94,878	97,832	94,980	97,859	100,831	405,311	173,386	212,887	261,390	320,956	394,105	89,006	2,343,421
Interest:													
General obligation bonds payable	71,580	70,694	69,771	68,809	67,807	322,464	290,298	250,800	202,296	142,730	69,580	3,732	1,630,561
KDHE loans payable	15,765	14,018	12,221	10,373	8,472	13,885	-	-	-	-	-	-	74,734
Temporary notes payable	485	418	350	281	212	213	-	-	-	-	-	-	1,959
Capital leases payable	517	265	-	-	-	-	-	-	-	-	-	-	782
Total interest	88,347	85,395	82,342	79,463	76,491	336,562	290,298	250,800	202,296	142,730	69,580	3,732	1,708,036
Total principal and interest	\$ 183,225	\$ 183,227	\$ 177,322	\$ 177,322	\$ 177,322	\$ 741,873	\$ 463,684	\$ 463,687	\$ 463,686	\$ 463,686	\$ 463,685	\$ 92,738	\$ 4,051,457

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.

D. Interfund transfers

Interfund operating transfers are as follows:

	<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	
General		Fire Equipment Reserve	12-1117	\$ 7,200
Water Utility		Equipment Reserve	12-825d	5,000
Water Utility		Bond and Interest	12-825d	93,000
Water Utility		Water Depreciation Reserve	12-825d	10,000
Total				\$ 115,200

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. The City carries commercial insurance for all 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.

CITY OF BUCKLIN, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2012

4. Other information (continued)

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 this financial statement.

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. Compensated absences

The City's policy is to recognize the costs of compensated absences when actually paid.

The City's policy regarding leave pay permits employees to accumulate leave days at a maximum rate of 12 days per year, with accumulation up to 30 days. Leave may be used for sick leave, bereavement leave and personal leave.

D. 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 Kansas law. 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) or by calling 1-888-275-5737.

Funding policy: K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

F. Related party transactions

The City purchases goods and services from a business operated by a City Council member. The City paid this business \$9,443 during the year ended December 31, 2012.

REGULATORY REQUIRED SUPPLEMENTAL INFORMATION

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

<u>Funds</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Over (Under)</u>
<u>Governmental Type Funds</u>			
General	\$ 462,221	\$ 435,081	\$ (27,140)
Special Purpose Funds			
Special Highway	66,636	50,000	(16,636)
Library	55,437	56,530	1,093
Equipment Reserve	25,876	14,344	(11,532)
Capital Improvement Reserve	5,096	-	(5,096)
Fire Equipment Reserve	7,213	7,212	(1)
Bond and Interest	134,983	92,737	(42,246)
<u>Business Funds</u>			
Water Utility:			
General	238,000	174,817	(63,183)
Customer Deposits	6,403	2,000	(4,403)
Water Depreciation Reserve	82,289	21,125	(61,164)
Sewer Utility:			
General	49,175	39,991	(9,184)
Sewer Bond and Interest	270,998	70,790	(200,208)
Sewer Depreciation Reserve	102,204	21,125	(81,079)

CITY OF BUCKLIN, KANSAS
 General Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Current Year			Variance Over (Under)
	Prior Year	Actual	Budget	
Receipts:				
Administration:				
Taxes	\$ 292,096	\$ 306,853	\$ 266,488	\$ 40,365
Franchises	30,229	46,349	25,000	21,349
Licenses and permits	365	1,250	600	650
Interest on investments	7,347	3,731	6,700	(2,969)
Refunds and miscellaneous	2,168	28,869	3,500	25,369
Total administration	332,205	387,052	302,288	84,764
Parks and pool	4,759	4,812	2,200	2,612
Refuse fees	63,482	64,591	77,000	(12,409)
Police and police court	2,934	13,901	3,900	10,001
Total receipts	403,380	470,356	\$ 385,388	\$ 84,968
Expenditures:				
General administration:				
Personal services	136,828	158,580	\$ 130,000	\$ 28,580
Contractual services	59,109	65,823	56,500	9,323
Commodities	20,595	28,001	25,000	3,001
Capital outlay	-	6,753	2,500	4,253
Total general administration	216,532	259,157	214,000	45,157
Streets:				
Contractual services	44,601	11,131	1,500	9,631
Commodities	39,930	8,977	72,521	(63,544)
Capital outlay	-	-	5,000	(5,000)
Total streets	84,531	20,108	79,021	(58,913)
Fire:				
Personal services	97	307	-	307
Commodities	-	338	4,000	(3,662)
Capital outlay	-	-	1,500	(1,500)
Total fire	97	645	5,500	(4,855)
Parks:				
Personal services	26,838	28,228	16,500	11,728
Contractual services	4,230	2,786	2,500	286
Commodities	14,305	27,108	7,000	20,108
Capital outlay	1,294	-	5,000	(5,000)
Total parks	46,667	58,122	31,000	27,122

(continued)

CITY OF BUCKLIN, KANSAS
 General Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Current Year			Variance Over (Under)
	Prior Year	Actual	Budget	
(continued)				
Expenditures:				
Street lighting:				
Contractual services	\$ 21,871	\$ 19,846	\$ 25,000	\$ (5,154)
Refuse utility:				
Contractual services	63,250	57,223	77,000	(19,777)
Commodities	-	16	-	16
Total refuse utility	<u>63,250</u>	<u>57,239</u>	<u>77,000</u>	<u>(19,761)</u>
Police:				
Personal services	4,314	6,647	12,000	(5,353)
Contractual services	628	3,198	1,500	1,698
Commodities	1,119	2,919	1,500	1,419
Capital outlay	-	-	3,500	(3,500)
Total police	<u>6,061</u>	<u>12,764</u>	<u>18,500</u>	<u>(5,736)</u>
Operating transfers out:				
Equipment Reserve	-	-	5,000	(5,000)
Fire Equipment Reserve	7,200	7,200	7,200	-
Total operating transfers out	<u>7,200</u>	<u>7,200</u>	<u>12,200</u>	<u>(5,000)</u>
Total expenditures	<u>446,209</u>	<u>435,081</u>	<u>\$ 462,221</u>	<u>\$ (27,140)</u>
Receipts over (under) expenditures	(42,829)	35,275		
Unencumbered cash, beginning of year	<u>150,266</u>	<u>107,437</u>		
Unencumbered cash, end of year	<u>\$ 107,437</u>	<u>\$ 142,712</u>		

CITY OF BUCKLIN, KANSAS
Special Highway Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
State of Kansas - gas tax	\$ 20,629	\$ 20,806	\$ 19,720	\$ 1,086
Expenditures:				
Contractual services	-	-	\$ 55,636	\$ (55,636)
Commodities	-	50,000	11,000	39,000
Total expenditures	-	50,000	\$ 66,636	\$ (16,636)
Receipts over (under) expenditures	20,629	(29,194)		
Unencumbered cash, beginning of year	67,591	88,220		
Unencumbered cash, end of year	\$ 88,220	\$ 59,026		

CITY OF BUCKLIN, KANSAS
 Library Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>Prior Year</u>	<u>Current Year</u>		<u>Variance Over (Under)</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts:				
Taxes	<u>\$ 52,892</u>	<u>\$ 56,530</u>	<u>\$ 55,437</u>	<u>\$ 1,093</u>
Expenditures:				
Distribution to treasurer	<u>52,892</u>	<u>56,530</u>	<u>\$ 55,437</u>	<u>\$ 1,093</u>
Receipts over expenditures	-	-		
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

CITY OF BUCKLIN, KANSAS
 Equipment Reserve Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Transfer from Water Utility	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Expenditures:				
Equipment	14,103	14,344	\$ 25,876	\$ (11,532)
Receipts under expenditures	(9,103)	(9,344)		
Unencumbered cash, beginning of year	41,779	32,676		
Unencumbered cash, end of year	\$ 32,676	\$ 23,332		

CITY OF BUCKLIN, KANSAS
 Capital Improvement Reserve Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	-	-	\$ 5,096	\$ (5,096)
Receipts over expenditures	-	-		
Unencumbered cash, beginning of year	5,096	5,096		
Unencumbered cash, end of year	<u>\$ 5,096</u>	<u>\$ 5,096</u>		

CITY OF BUCKLIN, KANSAS
 Fire Equipment Reserve Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Transfer from General	\$ 7,200	\$ 7,200	\$ 7,200	\$ -
Expenditures:				
Equipment and temporary notes	7,212	7,212	\$ 7,213	\$ (1)
Receipts under expenditures	(12)	(12)		
Unencumbered cash, beginning of year	28	16		
Unencumbered cash, end of year	<u>\$ 16</u>	<u>\$ 4</u>		

CITY OF BUCKLIN, KANSAS
 Bond and Interest Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Taxes	\$ 1,289	\$ 343	\$ -	\$ 343
Sewer bond fee	38,514	-	-	-
Transfer from Water Utility	106,820	93,000	93,000	-
Total receipts	146,623	93,343	\$ 93,000	\$ 343
Expenditures:				
Principal	29,765	20,306	\$ 20,306	\$ -
Interest	77,055	72,431	72,431	-
Fiscal fees	-	-	100	(100)
KDHE Sewer Bond	38,514	-	-	-
Cash basis reserve	-	-	42,146	(42,146)
Total expenditures	145,334	92,737	\$ 134,983	\$ (42,246)
Receipts over expenditures	1,289	606		
Unencumbered cash, beginning of year	26,439	27,728		
Unencumbered cash, end of year	<u>\$ 27,728</u>	<u>\$ 28,334</u>		

CITY OF BUCKLIN, KANSAS
Water Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Charges for services	\$ 204,770	\$ 204,710	\$ 160,000	\$ 44,710
Expenditures:				
Production and transmission	47,514	66,817	\$ 115,000	\$ (48,183)
Capital outlay	-	-	15,000	(15,000)
Transfer to Equipment Reserve	5,000	5,000	5,000	-
Transfer to Bond and Interest	106,820	93,000	93,000	-
Transfer to Water Depreciation Reserve	10,000	10,000	10,000	-
Total expenditures	169,334	174,817	\$ 238,000	\$ (63,183)
Receipts over expenditures	35,436	29,893		
Unencumbered cash, beginning of year	163,052	198,488		
Unencumbered cash, end of year	\$ 198,488	\$ 228,381		

CITY OF BUCKLIN, KANSAS
 Customer Deposits Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Customer deposits	\$ 1,950	\$ 2,000	\$ 1,500	\$ 500
Expenditures:				
Customer deposit refunds	2,600	2,000	\$ 6,403	\$ (4,403)
Receipts over (under) expenditures	(650)	-		
Unencumbered cash, beginning of year	4,403	3,753		
Unencumbered cash, end of year	\$ 3,753	\$ 3,753		

CITY OF BUCKLIN, KANSAS
 Water Depreciation Reserve Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Federal grant	\$ 149,997	\$ -	\$ -	\$ -
Transfer from Water Utility	10,000	10,000	10,000	-
Total receipts	<u>159,997</u>	<u>10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
Expenditures:				
Capital outlay	-	21,125	\$ 82,289	\$ (61,164)
Receipts over (under) expenditures	159,997	(11,125)		
Unencumbered cash, beginning of year	<u>72,289</u>	<u>232,286</u>		
Unencumbered cash, end of year	<u>\$ 232,286</u>	<u>\$ 221,161</u>		

CITY OF BUCKLIN, KANSAS
 Sewer Utility Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Charges for services	\$ 37,496	\$ 36,884	\$ 40,000	\$ (3,116)
Expenditures:				
Operations	50,965	33,408	\$ 26,000	\$ 7,408
Capital outlay	-	-	4,092	(4,092)
KDHE principal	-	3,113	10,613	(7,500)
KDHE interest	-	3,470	3,470	-
Transfer to Sewer Depreciation Reserve	-	-	5,000	(5,000)
Total expenditures	50,965	39,991	\$ 49,175	\$ (9,184)
Receipts under expenditures	(13,469)	(3,107)		
Unencumbered cash, beginning of year	16,758	3,289		
Unencumbered cash, end of year	\$ 3,289	\$ 182		

CITY OF BUCKLIN, KANSAS
 Sewer Bond and Interest Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Utility charge	\$ 43,174	\$ 84,647	\$ 80,811	\$ 3,836
Total cash receipts	<u>43,174</u>	<u>84,647</u>	<u>\$ 80,811</u>	<u>\$ 3,836</u>
Expenditures:				
Principal	-	56,796	\$ 51,166	\$ 5,630
Interest	-	13,994	14,525	(531)
Cash basis reserve	-	-	205,307	(205,307)
Total expenditures	<u>-</u>	<u>70,790</u>	<u>\$ 270,998</u>	<u>\$ (200,208)</u>
Receipts over expenditures	43,174	13,857		
Unencumbered cash, beginning of year	<u>109,376</u>	<u>152,550</u>		
Unencumbered cash, end of year	<u>\$ 152,550</u>	<u>\$ 166,407</u>		

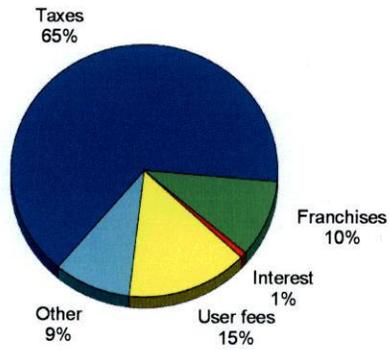
CITY OF BUCKLIN, KANSAS
 Sewer Depreciation Reserve Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Current Year			Variance Over (Under)
	Prior Year	Actual	Budget	
Receipts:				
Transfer from Sewer Utility	\$ -	\$ -	\$ 5,000	\$ (5,000)
Expenditures:				
Capital outlay	-	21,125	\$ 102,204	\$ (81,079)
Receipts over (under) expenditures	-	(21,125)		
Unencumbered cash, beginning of year	92,204	92,204		
Unencumbered cash, end of year	\$ 92,204	\$ 71,079		

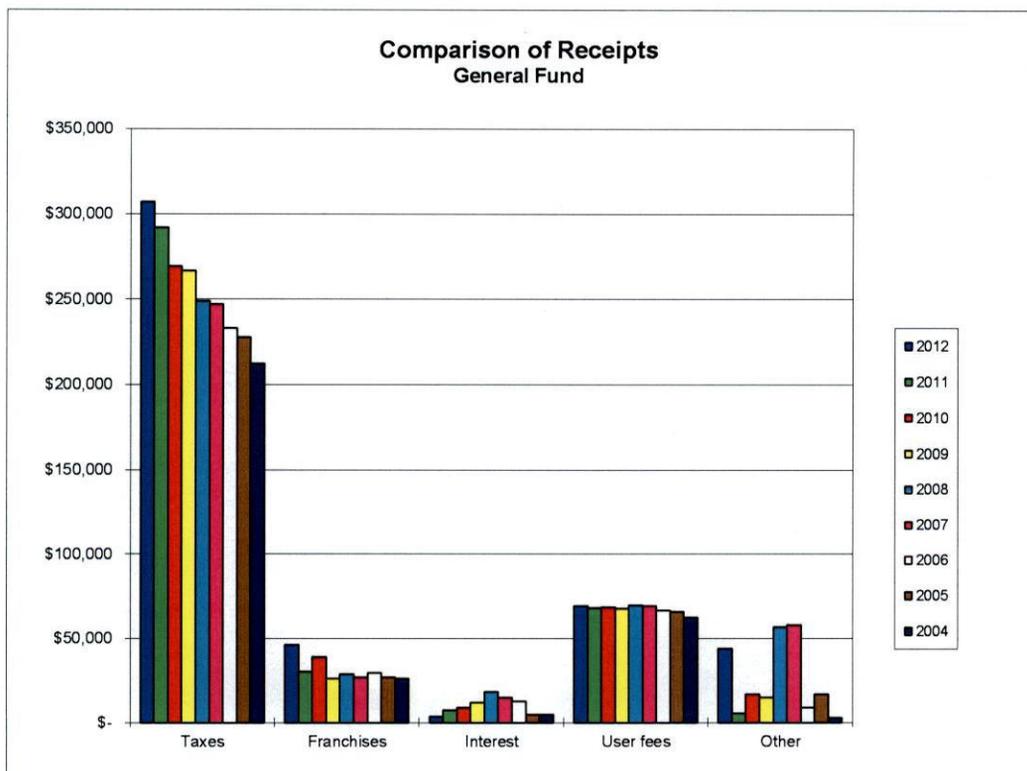
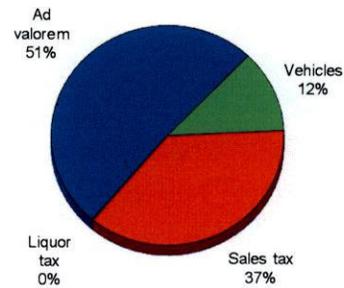
OTHER SUPPLEMENTAL INFORMATION

CITY OF BUCKLIN, KANSAS
 Receipts - General Fund
 Regulatory Basis
 For the Year Ended December 31

2012 Receipts
 General Fund

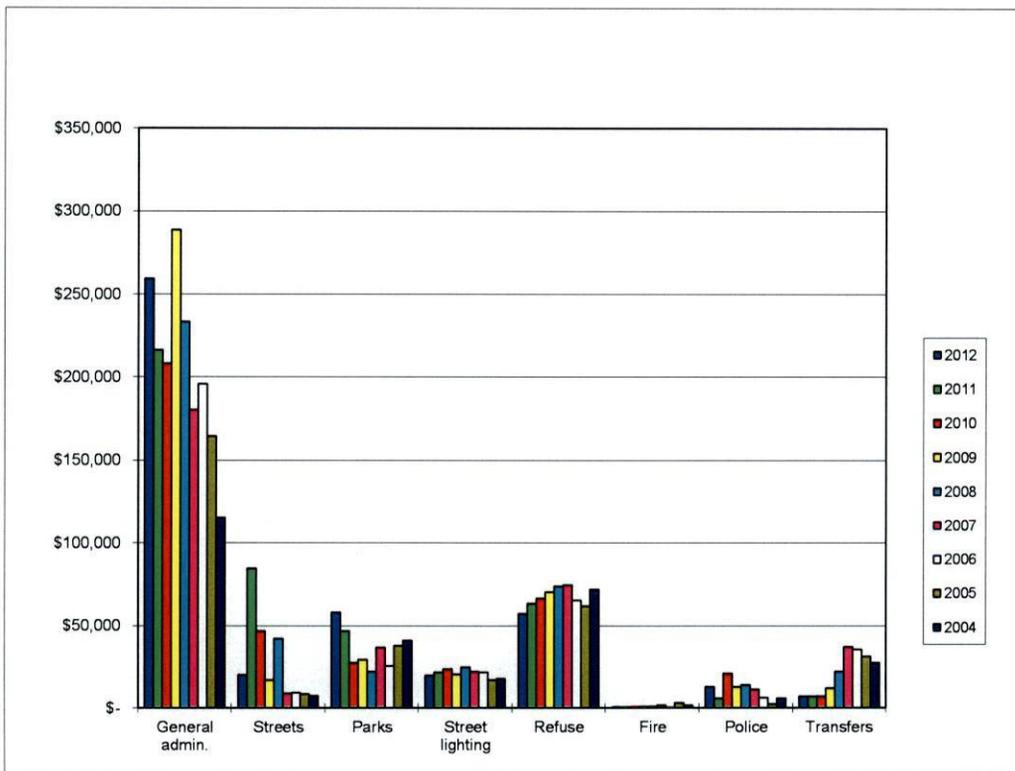
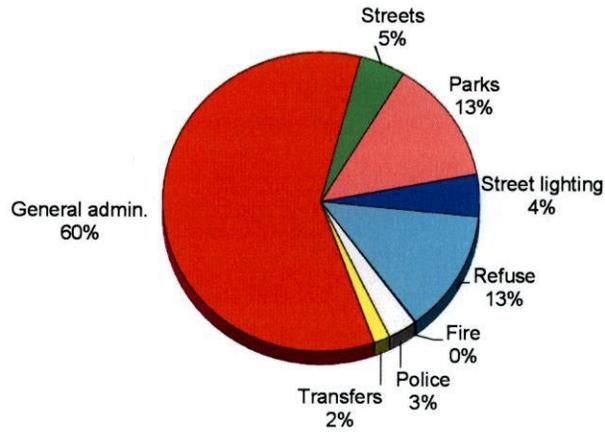


2012 Taxes
 General Fund



CITY OF BUCKLIN, KANSAS
 Expenditures - General Fund
 Regulatory Basis
 For the Year Ended December 31

2012 Expenditures
 General Fund



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

