

CITY OF HOLCOMB, KANSAS
REGULATORY BASIS FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

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REGULATORY BASIS FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

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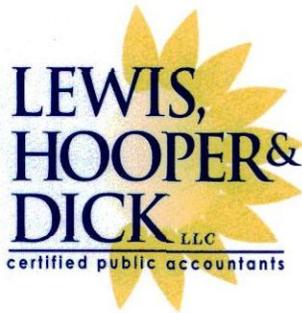
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying regulatory basis fund summary statement of receipts, expenditures and unencumbered cash of the municipal reporting entity of the City of Holcomb, 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 opinions.

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 Holcomb, 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.

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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.

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 Holcomb, 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 Holcomb, 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 cash 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 June 25, 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.

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

June 11, 2013

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

<u>Funds</u>	Unencumbered Cash 01/01/12	Receipts	Expenditures	Unencumbered Cash 12/31/12	Add Payables and Encumbrances	Treasurer's Cash 12/31/12
<u>Governmental Type Funds</u>						
General	\$ 518,660	\$ 1,060,606	\$ 980,165	\$ 599,101	\$ 62,578	\$ 661,679
Special Purpose Funds:						
Special Highway	9,045	54,485	18,324	45,206	74	45,280
Special Park	2,692	5,500	1,065	7,127	-	7,127
Equipment Reserve	168,578	46,000	123,885	90,693	-	90,693
Capital Improvement Reserve	665,696	208,800	21,002	853,494	-	853,494
ADSAP Fees	2,700	-	-	2,700	-	2,700
Total Special Purpose Funds	848,711	314,785	164,276	999,220	74	999,294
Bond and Interest	18,094	252,375	229,880	40,589	-	40,589
<u>Business Funds</u>						
Water and Sewer Utility	364,228	545,302	512,682	396,848	8,875	405,723
Water Depreciation Reserve	181,420	60,000	74,089	167,331	-	167,331
Water Bond and Interest	38,215	15,000	38,232	14,983	-	14,983
Sewer Reserve	239,024	21,000	-	260,024	-	260,024
Customer Deposits	18,083	6,070	200	23,953	122	24,075
Solid Waste Utility	33,086	137,664	136,478	34,272	5,596	39,868
Storm Sewer Utility	244,661	83,735	175,174	153,222	28,507	181,729
Total Business Funds	1,118,717	868,771	936,855	1,050,633	43,100	1,093,733
Total Reporting Entity (Memorandum only)	\$ 2,504,182	\$ 2,496,537	\$ 2,311,176	\$ 2,689,543	\$ 105,752	\$ 2,795,295

Composition of Cash:

First National Bank of Holcomb	\$ 2,100,079
Less outstanding warrants	(10,849)
Total cash in bank	\$ 2,089,230
Investments - Certificates of Deposit	706,065
Total cash	\$ 2,795,295

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

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

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 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, cultural activities, public improvements, planning and zoning and general administrative services. Other services include utility operations.

A. Financial reporting entity

The City is a municipal corporation governed by an elected five-member council and a mayor. This financial statement presents the City of Holcomb (the municipality) and its related municipal entities. The related municipal entities are included in the City's reporting entity because they were established to benefit the City and/or its constituents.

The City has no organizations, functions or activities which are considered related municipal entities of the City.

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.

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 receipt 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.

CITY OF HOLCOMB, 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 (continued)

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.

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 receipts in the appropriate capital project fund. Further, state statutes require levying additional general ad valorem property taxes in the Bond and Interest 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.

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

1. Summary of significant accounting policies (continued)

F. Interfund transactions (continued)

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.

H. Memorandum totals

The total line on the financial statement is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. No consolidated financial information is presented nor is all required disclosures presented for these amounts.

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 on or before August 5th of the proposed budget and notice of public hearing on the budget.
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 such 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.

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

2. Stewardship, compliance and accountability (continued)

A. Budgetary information (continued)

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 is 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 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, 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:

Carrying amounts of deposits	<u>\$ 2,795,295</u>
Total cash	<u><u>\$ 2,795,295</u></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.

CITY OF HOLCOMB, 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)

At December 31, 2012, the City's carrying amount of deposits was \$2,795,295 and the bank balance was \$2,806,144. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$274,365 was covered by federal depository insurance and \$2,531,779 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	\$ 274,365
Pledged securities at market value	2,563,193
Total coverage	\$ 2,837,558
Funds on deposit	\$ 2,806,144
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, 2012.

B. Capital projects in process

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

	Authorization	Cash Disbursements and Accounts Payable to Date	Committed
Crack sealing - 2012	\$ 70,407	\$ 65,694	\$ -
Storm sewer	52,015	52,015	-
Standpipe blast and recoat	58,861	39,883	-
Storm sewer	53,707	41,467	12,240

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

3. Detailed notes on all funds (continued)

C. Long-term debt

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

	Maximum Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance 01/01/12	Additions	Reductions/Payments	Balance 12/31/12	Interest Paid
General obligation bonds payable:									
Sewer Improvement, series 2003B	5.90%	12/01/03	\$ 800,000	10/01/23	\$ 725,000	\$ -	\$ 15,000	\$ 710,000	\$ 35,038
Refunding, series 2009	4.50%	07/01/09	1,945,000	10/01/23	1,695,000	-	115,000	1,580,000	64,840
Total general obligation bonds payable			2,745,000		2,420,000	-	130,000	2,290,000	99,878
Revenue bonds payable:									
Sewer Improvement, series 2003	4.40%	12/01/03	330,000	10/01/13	75,000	-	35,000	40,000	3,230
Capital leases payable:									
Emergency radio communications system	3.62%	08/10/09	61,739	01/01/16	45,076	-	9,393	35,683	1,560
Total long term debt			\$ 3,136,739		\$ 2,540,076	\$ -	\$ 174,393	\$ 2,365,683	\$ 104,668

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	
Principal:								
General obligation bonds payable	\$ 135,000	\$ 180,000	\$ 190,000	\$ 190,000	\$ 205,000	\$ 1,130,000	\$ 260,000	\$ 2,290,000
Revenue bonds payable	40,000	-	-	-	-	-	-	40,000
Capital leases payable	9,739	10,097	10,469	5,378	-	-	-	35,683
Total principal	184,739	190,097	200,469	195,378	205,000	1,130,000	260,000	2,365,683
Interest:								
General obligation bonds payable	96,192	92,082	85,995	79,065	71,685	220,772	12,125	657,916
Revenue bonds payable	1,760	-	-	-	-	-	-	1,760
Capital leases payable	1,214	856	484	98	-	-	-	2,652
Total interest	99,166	92,938	86,479	79,163	71,685	220,772	12,125	662,328
Total principal and interest	\$ 283,905	\$ 283,035	\$ 286,948	\$ 274,541	\$ 276,685	\$ 1,350,772	\$ 272,125	\$ 3,028,011

A new bond issue of was authorized by the City on September 12, 2012, in the amount of \$450,000.

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 the Financial Statement
For The Year Ended December 31, 2012

3. Detailed notes on all funds (continued)

D. Interfund transfers

Interfund operating transfers are as follows:

From	To	Statutory Authority	
General	Equipment Reserve	12-1,117	\$ 36,000
General	Capital Improvement Reserve	12-1,118	201,000
Water and Sewer Utility	Equipment Reserve	12-825d	10,000
Water and Sewer Utility	Bond and Interest	12-825d	170,000
Water and Sewer Utility	Sewer Reserve	12-825d	21,000
Water and Sewer Utility	Water Bond and Interest	12-825d	15,000
Water and Sewer Utility	Water Depreciation	12-825d	60,000
Solid Waste Utility	General	10-1204	10,000
Storm Sewer Utility	Bond and Interest	12-825d	<u>76,000</u>
Total			<u>\$ 599,000</u>

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.

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 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.

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

4. Other information (continued)

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.

E. Subsequent events

Subsequent to December 31, 2012, the City authorized the purchase of equipment totaling \$137,928.

REGULATORY REQUIRED SUPPLEMENTARY INFORMATION

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

Fund	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Type Funds					
General	\$ 1,144,434	\$ -	\$ 1,144,434	\$ 980,165	\$ (164,269)
Special Purpose Funds:					
Special Highway	163,488	-	163,488	18,324	(145,164)
Special Park	5,598	-	5,598	1,065	(4,533)
Equipment Reserve	214,434	-	214,434	123,885	(90,549)
Capital Improvement Reserve	678,481	-	678,481	21,002	(657,479)
ADSAP Fees	3,700	-	3,700	-	(3,700)
Bond and Interest	230,078	-	230,078	229,880	(198)
Business Funds					
Water and Sewer Utility	593,800	-	593,800	512,682	(81,118)
Water Depreciation Reserve	210,000	-	210,000	74,089	(135,911)
Water Bond and Interest	38,630	-	38,630	38,232	(398)
Sewer Reserve	250,024	-	250,024	-	(250,024)
Customer Deposits	8,000	-	8,000	200	(7,800)
Solid Waste Utility	140,000	-	140,000	136,478	(3,522)
Storm Sewer Utility	157,606	-	157,606	175,174	17,568

CITY OF HOLCOMB, 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)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Administration:				
Taxes	\$ 804,435	\$ 849,342	\$ 761,337	\$ 88,005
Intergovernmental revenue	-	5,220	-	5,220
Franchises	84,148	83,593	49,000	34,593
Licenses and permits	2,079	1,838	475	1,363
Fines, forfeitures and penalties	29,106	30,630	30,450	180
Fire department	38,705	35,057	40,000	(4,943)
Interest on investments	2,970	3,729	3,000	729
Vehicle inspections	24,415	34,225	21,000	13,225
Reimbursements and miscellaneous	4,139	6,972	9,600	(2,628)
Transfer from Solid Waste Utility	10,000	10,000	10,000	-
Total receipts	999,997	1,060,606	\$ 924,862	\$ 135,744
Expenditures:				
General administration:				
Personnel services	57,667	55,496	\$ 66,000	\$ (10,504)
Contractual services	82,947	99,592	146,500	(46,908)
Commodities	38,002	42,913	6,100	36,813
Capital outlay	402	3,700	7,000	(3,300)
Total general administration	179,018	201,701	225,600	(23,899)
Law enforcement:				
Personnel services	148,651	147,366	166,000	(18,634)
Contractual services	10,847	14,393	22,500	(8,107)
Commodities	5,297	4,251	38,315	(34,064)
Capital outlay	-	-	2,500	(2,500)
Total law enforcement	164,795	166,010	229,315	(63,305)
Street lighting and tomado sirens:				
Contractual services	23,823	27,920	25,000	2,920
Fire department:				
Personnel services	24,253	25,951	36,000	(10,049)
Contractual services	24,331	22,561	8,500	14,061
Commodities	11,441	20,588	18,915	1,673
Capital outlay	1,905	4,828	10,000	(5,172)
Total fire department	61,930	73,928	73,415	513

(continued)

CITY OF HOLCOMB, 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)

	Prior Year	Current Year		Variance Over Over (Under)
		Actual	Budget	
(continued)				
Expenditures:				
Municipal court:				
Personnel services	\$ 27,021	\$ 27,435	\$ 28,000	\$ (565)
Contractual services	24,691	25,162	34,700	(9,538)
Commodities	2,088	2,533	3,404	(871)
Total municipal court	53,800	55,130	66,104	(10,974)
Employee benefits:				
Social Security	30,306	28,453	33,000	(4,547)
KPERS	25,581	26,121	26,000	121
Unemployment insurance	17,098	363	10,000	(9,637)
Workmen's compensation	13,125	15,424	19,000	(3,576)
Health insurance	99,793	106,044	110,000	(3,956)
Total employee benefits	185,903	176,405	198,000	(21,595)
Street improvements:				
Contractual services	-	42,071	90,000	(47,929)
Operating transfers out:				
Equipment Reserve	40,000	36,000	36,000	-
Capital Improvement - Ryan Street	40,000	50,000	50,000	-
Capital Improvement Reserve	175,000	151,000	151,000	-
Total operating transfers out	255,000	237,000	237,000	-
Total expenditures	924,269	980,165	\$ 1,144,434	\$ (164,269)
Receipts over expenditures	75,728	80,441		
Unencumbered cash, beginning of year	442,932	518,660		
Unencumbered cash, end of year	\$ 518,660	\$ 599,101		

CITY OF HOLCOMB, 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	\$ 55,296	\$ 54,485	\$ 52,170	\$ 2,315
Expenditures:				
Personnel services	16,250	7,720	\$ 16,000	\$ (8,280)
Contractual services	51,596	7,632	127,488	(119,856)
Commodities	57,283	2,972	20,000	(17,028)
Total expenditures	125,129	18,324	\$ 163,488	\$ (145,164)
Receipts over (under) expenditures	(69,833)	36,161		
Unencumbered cash, beginning of year	78,878	9,045		
Unencumbered cash, end of year	\$ 9,045	\$ 45,206		

CITY OF HOLCOMB, KANSAS
Special Park 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:				
Alcohol taxes	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Donations	-	4,000	-	4,000
Total receipts	1,500	5,500	\$ 1,500	\$ 4,000
Expenditures:				
Capital outlay	2,006	1,065	\$ 5,598	\$ (4,533)
Receipts over (under) expenditures	(506)	4,435		
Unencumbered cash, beginning of year	3,198	2,692		
Unencumbered cash, end of year	\$ 2,692	\$ 7,127		

CITY OF HOLCOMB, 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 General	\$ 40,000	\$ 36,000	\$ 36,000	\$ -
Transfer from Water and Sewer Utility	10,000	10,000	10,000	-
Transfer from Solid Waste	-	-	10,000	(10,000)
Total receipts	50,000	46,000	\$ 56,000	\$ (10,000)
Expenditures:				
Equipment payments and purchases	50,808	123,885	\$ 214,434	\$ (90,549)
Receipts under expenditures	(808)	(77,885)		
Unencumbered cash, beginning of year	169,386	168,578		
Unencumbered cash, end of year	\$ 168,578	\$ 90,693		

CITY OF HOLCOMB, 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:				
Intergovernmental revenue	\$ 141,015	\$ -	\$ -	\$ -
Rent	7,200	7,800	5,000	2,800
Transfer from General	215,000	201,000	201,000	-
Total receipts	363,215	208,800	\$ 206,000	\$ 2,800
Expenditures:				
Capital improvements	-	21,002	\$ 678,481	\$ (657,479)
Receipts over expenditures	363,215	187,798		
Unencumbered cash, beginning of year	302,481	665,696		
Unencumbered cash, end of year	\$ 665,696	\$ 853,494		

CITY OF HOLCOMB, KANSAS
 ADSAP Fees 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	
Revenue:				
Fees collected	\$ -	\$ -	\$ 1,000	\$ (1,000)
Expenditures:				
Fees paid	-	-	\$ 3,700	\$ (3,700)
Receipts over expenditures	-	-		
Unencumbered cash, beginning of year	2,700	2,700		
Unencumbered cash, end of year	\$ 2,700	\$ 2,700		

CITY OF HOLCOMB, 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	\$ 2,674	\$ 41	\$ -	\$ 41
Special assessments	15,146	6,334	5,000	1,334
Transfer from Water and Sewer Utility	140,000	170,000	170,000	-
Transfer from Storm Sewer Utility	76,000	76,000	76,000	-
Total receipts	233,820	252,375	\$ 251,000	\$ 1,375
Expenditures:				
Principal	150,000	130,000	\$ 130,000	\$ -
Interest and fiscal fees	103,727	99,880	100,078	(198)
Total expenditures	253,727	229,880	\$ 230,078	\$ (198)
Receipts over (under) expenditures	(19,907)	22,495		
Unencumbered cash, beginning of year	38,001	18,094		
Unencumbered cash, end of year	<u>\$ 18,094</u>	<u>\$ 40,589</u>		

CITY OF HOLCOMB, KANSAS
 Water and 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	\$ 539,168	\$ 520,445	\$ 500,000	\$ 20,445
Connects and disconnects	14,230	24,798	10,000	14,798
Miscellaneous	778	59	-	59
Transfer from Customer Deposits	26,674	-	-	-
Total receipts	580,850	545,302	\$ 510,000	\$ 35,302
Expenditures:				
Water	169,540	140,058	\$ 275,000	\$ (134,942)
Sewer	85,507	78,518	-	78,518
General administration	11,801	10,125	9,800	325
Capital outlay	-	7,981	33,000	(25,019)
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	15,000	15,000	-
Transfer to Bond and Interest	140,000	170,000	170,000	-
Transfer to Water Depreciation	60,000	60,000	60,000	-
Total expenditures	542,848	512,682	\$ 593,800	\$ (81,118)
Receipts over expenditures	38,002	32,620		
Unencumbered cash, beginning of year	326,226	364,228		
Unencumbered cash, end of year	\$ 364,228	\$ 396,848		

CITY OF HOLCOMB, 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:				
Transfer from Water and Sewer Utility	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
Expenditures:				
Capital outlay	-	74,089	\$ 210,000	\$ (135,911)
Receipts over (under) expenditures	60,000	(14,089)		
Unencumbered cash, beginning of year	121,420	181,420		
Unencumbered cash, end of year	<u>\$ 181,420</u>	<u>\$ 167,331</u>		

CITY OF HOLCOMB, KANSAS
 Water 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:				
Transfer from Water and Sewer Utility	\$ 45,000	\$ 15,000	\$ 15,000	\$ -
Expenditures:				
Principal	35,000	35,000	\$ 35,000	\$ -
Interest and fiscal fees	4,630	3,230	3,230	-
Fiscal fees	7	2	400	(398)
Total expenditures	39,637	38,232	\$ 38,630	\$ (398)
Receipts over (under) expenditures	5,363	(23,232)		
Unencumbered cash, beginning of year	32,852	38,215		
Unencumbered cash, end of year	\$ 38,215	\$ 14,983		

CITY OF HOLCOMB, KANSAS
 Sewer 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 and Sewer Utility	\$ 21,000	\$ 21,000	\$ 21,000	\$ -
Expenditures:				
Capital outlay	-	-	\$ 250,024	\$ (250,024)
Receipts over expenditures	21,000	21,000		
Unencumbered cash, beginning of year	218,024	239,024		
Unencumbered cash, end of year	\$ 239,024	\$ 260,024		

CITY OF HOLCOMB, 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	\$ 6,560	\$ 6,070	\$ 8,000	\$ (1,930)
Expenditures:				
Refunds	354	200	\$ 8,000	\$ (7,800)
Transfer to Water and Sewer Utility	26,674	-	-	-
Total expenditures	27,028	200	\$ 8,000	\$ (7,800)
Receipts over (under) expenditures	(20,468)	5,870		
Unencumbered cash, beginning of year	38,551	18,083		
Unencumbered cash, end of year	\$ 18,083	\$ 23,953		

CITY OF HOLCOMB, KANSAS
Solid Waste 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	\$ 130,193	\$ 137,664	\$ 130,000	\$ 7,664
Expenditures:				
Personnel services	31,600	31,080	\$ 36,000	\$ (4,920)
Contractual services	64,730	63,760	69,000	(5,240)
Commodities	22,986	31,638	10,000	21,638
Capital outlay	-	-	5,000	(5,000)
Transfer to General	10,000	10,000	10,000	-
Transfer to Equipment Reserve	-	-	10,000	(10,000)
Total expenditures	129,316	136,478	\$ 140,000	\$ (3,522)
Receipts over expenditures	877	1,186		
Unencumbered cash, beginning of year	32,209	33,086		
Unencumbered cash, end of year	\$ 33,086	\$ 34,272		

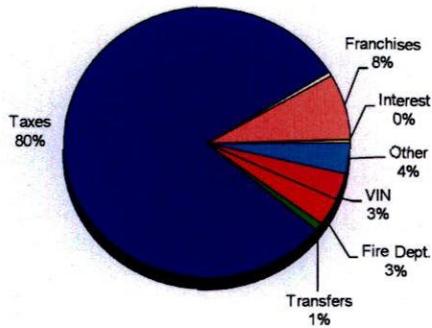
CITY OF HOLCOMB, KANSAS
 Storm Sewer Utility Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2012
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Charges for services	\$ 82,675	\$ 83,735	\$ 78,000	\$ 5,735
Expenditures:				
Capital outlay	9,620	99,174	\$ 81,606	\$ 17,568
Transfer to Bond and Interest	76,000	76,000	76,000	-
Total expenditures	85,620	175,174	\$ 157,606	\$ 17,568
Receipts under expenditures	(2,945)	(91,439)		
Unencumbered cash, beginning of year	247,606	244,661		
Unencumbered cash, end of year	\$ 244,661	\$ 153,222		

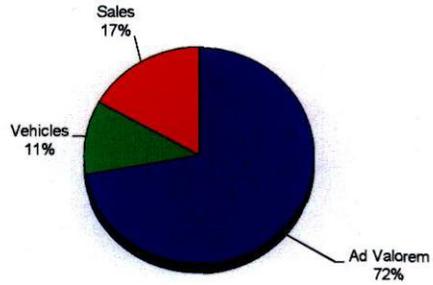
OTHER SUPPLEMENTAL INFORMATION

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

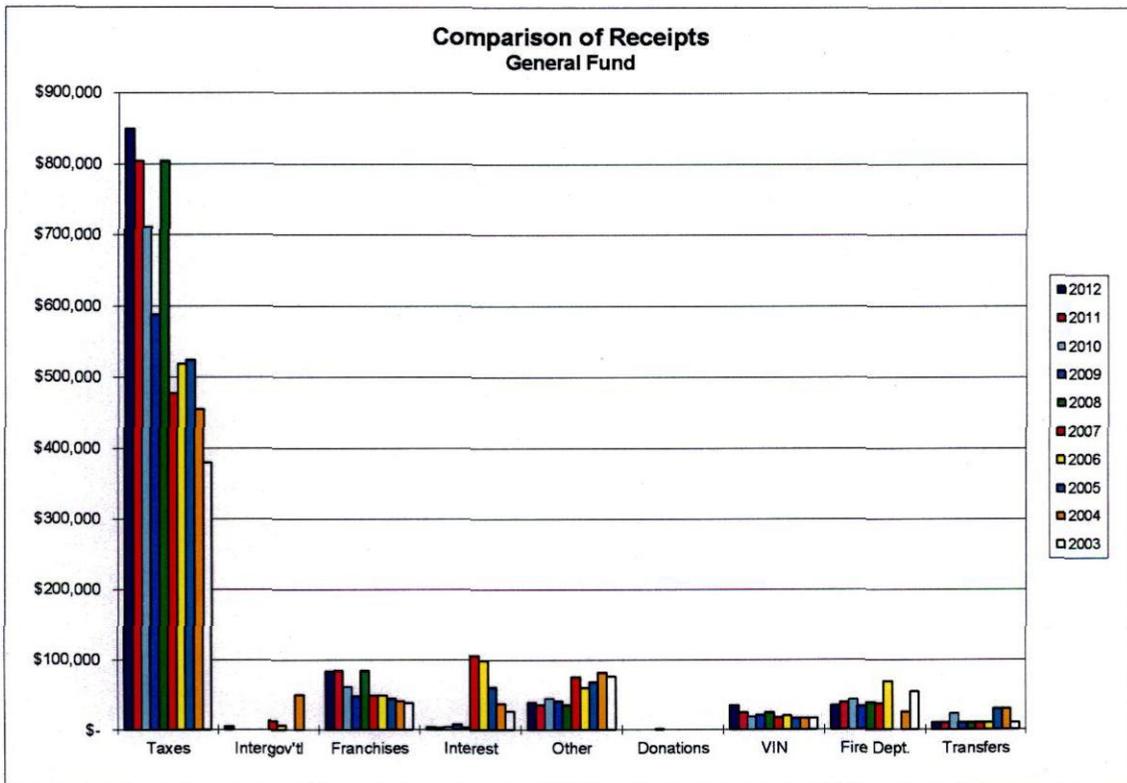
2012 Receipts
 General Fund



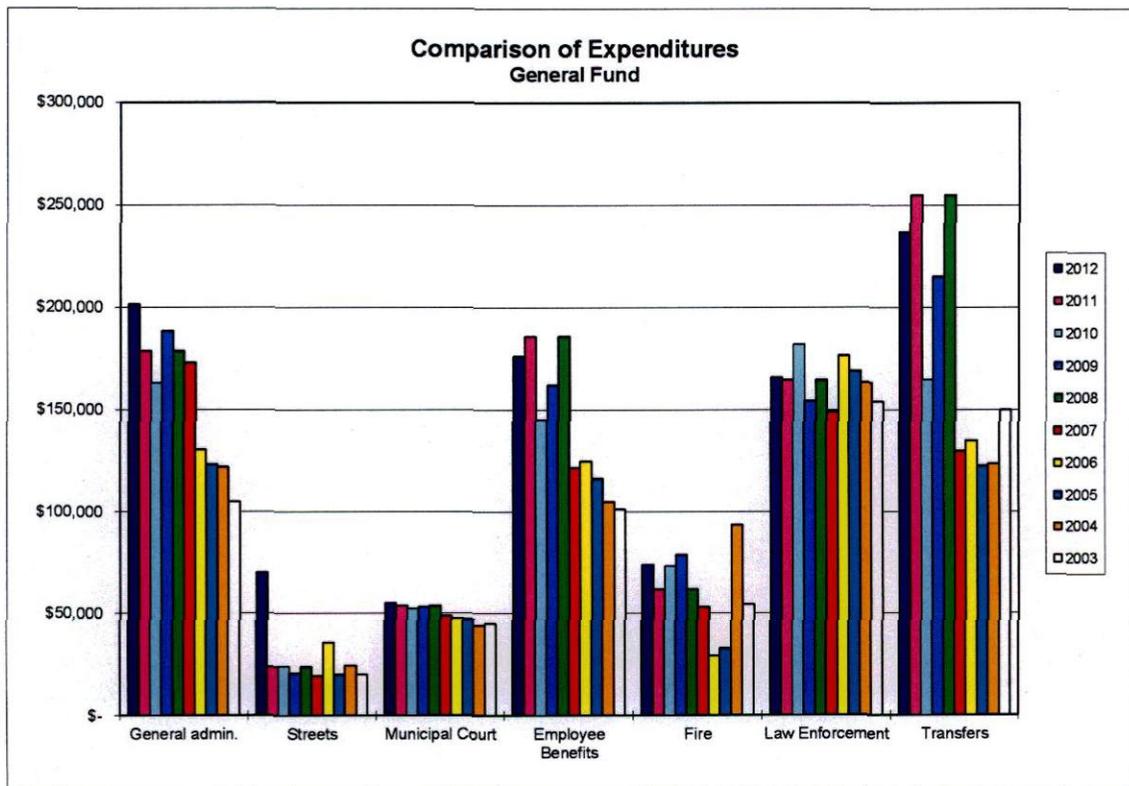
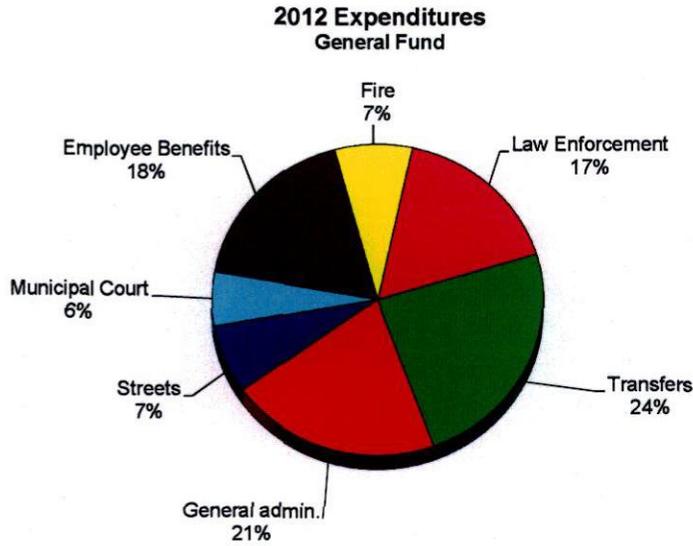
2012 Taxes
 General Fund



Comparison of Receipts
 General Fund



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



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

