

CITY OF HUMBOLDT, KANSAS

Financial Statement and
Independent Auditors' Report with
Supplemental Information

For the Year Ended December 31, 2012

CITY OF HUMBOLDT, KANSAS

December 31, 2012

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Humboldt, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Humboldt, Kansas, a municipality, 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 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.

Auditors' 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 Humboldt, 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, 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.

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 conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Humboldt, 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 Humboldt, 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 described in Note 1.

Report on Regulatory Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, 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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 20, 2013
Chanute, Kansas

CITY OF HUMBOLDT, KANSAS

Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis

For the Year Ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Cash Balance December 31, 2012
Governmental Type Funds:						
General Fund	\$ 643.23	\$ 938,213.52	\$ 932,159.12	\$ 6,697.63	\$ 13,748.65	\$ 20,446.28
Special Purpose Funds:						
Consolidated Street and Highway	904.08	86,607.46	73,141.00	14,370.54	4,652.46	19,023.00
Municipal Equipment Reserve	88,717.20	21,937.67	35,400.00	75,254.87	-	75,254.87
Capital Projects Funds:						
Sewer Improvement Project	21.50	-	-	21.50	-	21.50
Bike Route Grant	3,495.43	-	2,281.68	1,213.75	-	1,213.75
Bond and Interest Funds:						
General Obligation Bond and Interest	976.89	11,827.82	12,000.00	804.71	-	804.71
Business Funds:						
Gas Utility	31,627.18	534,406.28	559,765.09	6,268.37	6,238.29	12,506.66
Gas Utility Surplus	5,121.59	-	-	5,121.59	-	5,121.59
Water Utility	23,899.38	589,644.50	596,034.56	17,509.32	5,869.57	23,378.89
Water Utility Revenue Bond Surplus	7,092.37	-	-	7,092.37	-	7,092.37
Water Tower Maintenance Reserve	51,975.65	-	-	51,975.65	-	51,975.65
Sewer Utility	209.91	445,652.39	441,551.12	4,311.18	10,796.20	15,107.38
Sewer Utility Principal and Interest	98,970.16	170,254.70	201,902.94	67,321.92	-	67,321.92
Sewer Utility Replacement	1,246.36	30.58	-	1,276.94	-	1,276.94
Sanitation Utility	8,682.58	129,076.93	137,415.57	343.94	8,393.66	8,737.60
Swimming Pool Utility	847.45	96,303.74	96,514.43	636.76	-	636.76
Swimming Pool Reserve	45,000.00	-	-	45,000.00	-	45,000.00
Drainage Utility	928.97	17,470.02	18,398.99	0.00	-	0.00
Trust Funds:						
Community Development	97,028.56	79.78	3,818.88	93,289.46	-	93,289.46
Leitzbach Trust	5,708.99	-	-	5,708.99	-	5,708.99
Schaneman-Rourk Trust	8,521.75	1.86	5,749.70	2,773.91	-	2,773.91
Total Reporting Entity (Excluding Agency Funds)	\$ 481,619.23	\$ 3,041,507.25	\$ 3,116,133.08	\$ 406,993.40	\$ 49,698.83	\$ 456,692.23

The notes to the financial statement are an integral part of this statement

Statement 1 (Continued)

CITY OF HUMBOLDT, KANSAS

Summary of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2012

	December 31, 2012
Composition of Cash:	
Checking Accounts	
Emprise Bank	
General	\$ 28,410.98
Petty Cash	889.95
Community Development	8,038.49
Schaneman-Rourk	2,773.91
KS Drug Forfeitures	15.99
Police Donations	1,379.67
Downtown Action Team	29,915.42
Money Market and Savings Accounts	
Emprise Bank	
General	53,247.46
Rebuild Public Square	347.77
Investments	
Kansas Municipal Investment Pool	22,242.58
Community National Bank	
Certificates of Deposits	<u>385,250.97</u>
Total Cash	532,513.19
Agency Funds per Schedule 3	<u>(75,820.96)</u>
Total Reporting Entity (Excluding Agency Funds)	<u><u>\$ 456,692.23</u></u>

The notes to the financial statement are
an integral part of this statement.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of Humboldt, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies follow. Note 1 describes how the City's accounting policies differ from accounting principles generally accepted in the United States of America.

Financial Reporting Entity

The City of Humboldt, Kansas, is a municipal corporation governed by an elected nine-member council. This financial statement presents the City of Humboldt.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the City. Related municipal entities are not required to be included in the City's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG). Based upon the application of this criterion, the following is a brief review of potential related municipal entities:

Humboldt Historical Society. The City of Humboldt Historical Society maintains the City of Humboldt museum. Officers are elected by the Society's members. Separate internal financial statements are available from the Society.

Humboldt Public Library. The City of Humboldt, Kansas, Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Bond issuances must also be approved by the City. The City levies taxes for the Library Board and significantly influences the Library's operations. Separate internal financial statements are available from the Library.

Mount Hope Cemetery. The Cemetery board operates the City's cemetery. Acquisition or disposition of real property or bond issuances must be approved by the City. Separate internal financial statements are available from the Cemetery Board.

Humboldt Housing Authority. The Humboldt Housing Authority operates the City's housing projects. The Humboldt Housing Authority can sue and be sued, and can buy, sell, or lease real property. Bond ordinances must be approved by the City. Separate audited financial statements are available at the Housing Authority.

Humboldt Public Building Commission

The Humboldt Public Building Commission was created to oversee the construction of the Humboldt swimming pool. Acquisition or disposition of real property or bond issuances must be approved by the City. The City is acting as the fiduciary agent for the Commission.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 types of funds comprise the financial activities of the City of Humboldt, Kansas, for the year of 2012:

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

Special Purpose fund – 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.

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

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

Business fund – 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 fund – 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 fund – 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.).

Basis of Presentation – Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The (KMAAG) 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 revenues 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 KMAAG 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 municipality 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 municipality to use the regulatory basis of accounting.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Plan

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System, or the State of Kansas Police and Fire Retirement System, both of which are a multi-employer state-wide pension plan. The City's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State of Kansas.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 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 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for the revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as revenues. In the financial statement and budget comparison schedules presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the City Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

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

A legal operating budget is not required for capital projects funds, trust funds, and the following special purpose funds:

- Equipment Reserve Fund

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.

Capital Lease Requirements

The City is required, under ordinances of the Capital lease signed with the public building commission, to maintain in its Business Fund certain restricted accounts. The ordinances provide that the following reserve accounts be set up in amounts as described below:

<u>RESERVE ACCOUNTS</u>	<u>REQUIRED AMOUNT</u>	<u>ACTUAL AMOUNT</u>
Lease agreement for Swimming Pool – requires monthly transfers of \$1,875.00 until \$45,000.00 is reached.	\$ 45,000.00	\$ 45,000.00

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1, the City was in apparent compliance with Kansas cash basis laws. As shown in Schedule 1, the City was in apparent violation of K.S.A. 79-2934 as the City has obligated expenditures in excess of budgetary limits in the Consolidated Street and Highway Fund and Water Utility Fund.

3. DEPOSITS AND INVESTMENTS

As of year end, the City had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-2</u>	<u>Rating</u>
Kansas Investment Pool	\$ 22,242.58	\$ 22,242.58	\$ - -	S&P AA Af/S1+

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 branch or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. The rating of the City's investments is noted above.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2012, is as follows:

<u>Investments</u>	<u>Percentage of Investments</u>
Kansas Investment Pool	100%

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

Deposits: At year-end, the City's carrying amount of deposits was \$510,270.61 and the bank balance was \$534,510.80. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$399,259.83 was covered by FDIC insurance and \$135,250.97 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial credit risk – investments. For an investment, this 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 to be adequately secured.

At December 31, 2012, the City has invested \$22,242.58 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas Legislature. State pooled monies may be invested in direct obligation that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities of up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

4. INDUSTRIAL REVENUE BONDS

The City has entered into various agreements to induce businesses to locate or expand operations in Humboldt, Kansas. In connection therewith, the City has issued industrial revenue bonds (IRB's), which require the businesses to make lease payments to trust accounts sufficient to pay debt service on the IRB's. The City is under no obligation to pay the IRB debt, which is to be paid from the lease payments made by the related businesses. At December 31, 2012, there were four industrial revenue bond issues with principal balances due totaling \$992,956.89.

5. OPERATING LEASES

The City has entered into an operating lease for a Kyocera copy machine dated November 24, 2008. Rent expense for the year ended December 31, 2012, was \$2,940.36. Under the current lease agreement, the future minimum rental payments are as follows:

2013	\$ 2,278.80
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6. CAPITAL LEASES

The City has entered into a capital lease agreement dated August 15, 2008, to purchase an electric generator at a cost of \$103,995.00. The City agreed to make an initial payment of \$10,585.23 in 2008, then fifteen semi-annual payments of \$8,121.71, including imputed interest at 4.40%.

2013	\$ 16,243.42
2014	16,243.42
2015	16,243.42
2016	<u>9,621.02</u>
Total Net Minimum Lease Payments	58,351.28
Less: Imputed Interest	<u>(4,733.12)</u>
Net Present Value	53,618.16
Less: Current Maturities	<u>(14,082.42)</u>
Long-Term Capital Lease Obligations	<u>\$ 39,535.74</u>

The City has entered into a capital lease agreement dated October 8, 2008, to finance the renovation of the city pool at a cost of \$450,000.00. The City agreed to make semi-annual payments of interest and annual payments of principal, including imputed interest ranging from 3.80% to 5.30%.

2013	\$ 34,670.00
2014	39,100.00
2015	38,355.00
2016	37,435.00
2017	36,515.00
2018-2022	177,918.00
2023-2027	176,420.00
2028-2029	<u>63,577.50</u>
Total Net Minimum Lease Payments	603,990.50
Less: Imputed Interest	<u>(198,990.50)</u>
Net Present Value	405,000.00
Less: Current Maturities	<u>(15,000.00)</u>
Long-Term Capital Lease Obligations	<u>\$ 390,000.00</u>

6. CAPITAL LEASES (Continued)

The City has entered into a capital lease agreement dated January 11, 2010, to purchase the City Hall Building at a cost of \$351,000.00. The City agreed to make sixty semi-annual principal payments of \$5,850.00 plus interest at a rate of 4.50%.

2013	\$ 25,916.57
2014	25,385.11
2015	24,853.65
2016	24,322.19
2017	23,790.73
2018-2022	110,981.75
2023-2027	97,695.23
2028-2032	84,408.70
2033-2037	71,122.20
2038-2039	<u>24,563.51</u>
Total Net Minimum Lease Payments	513,039.64
Less: Imputed Interest	<u>(197,304.79)</u>
Net Present Value	315,734.85
Less: Current Maturities	<u>(11,700.00)</u>
Long-Term Capital Lease Obligations	<u>\$ 304,034.85</u>

7. DEFINED BENEFIT PENSION PLAN

Plan description. The City participates in 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 issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South 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 establishes 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. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. 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.

8. LONG-TERM DEBT COMMITMENTS

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

Issue	Interest Rates	Date of Issue	Original Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds:									
Paid with Tax Levies									
Series 2011	4.00%	January 28, 2011	\$ 200,000.00	January 28, 2041	\$ 200,000.00	\$ -	\$ 4,000.00	\$ 196,000.00	\$ 8,000.00
Paid with Utility Revenues									
Series 2011A	3.375%	March 17, 2011	1,100,000.00	June 17, 2051	1,100,000.00	-	12,000.00	1,088,000.00	37,125.00
Series 2011B	3.375%	March 17, 2011	170,000.00	March 17, 2051	170,000.00	-	2,000.00	168,000.00	5,737.50
Revolving Loans:									
Paid with Utility Revenues									
Sewer System Revolving									
Loan-Series 1997	3.33%	August 26, 1997	1,200,000.00	September 1, 2018	539,288.18	-	75,643.73	463,644.45	17,281.69
Sewer System Revolving									
Loan-Series 1999	3.32%	October 8, 1999	1,326,970.00	September 1, 2021	728,195.74	-	66,344.82	661,850.92	23,701.16
Sewer System Revolving									
Loan-Series 2005	2.58%	October 13, 2005	684,000.00	September 1, 2028	601,504.15	-	3,434.75	598,069.40	15,496.79
Capital Leases:									
Electric Generator									
Swimming Pool Lease	4.40%	August 15, 2007	103,995.00	July 15, 2015	66,392.78	-	12,774.62	53,618.16	3,468.80
City Hall Building	5.25%	October 8, 2008	450,000.00	March 1, 2023	420,000.00	-	15,000.00	405,000.00	20,240.00
	4.50%	May 15, 2010	351,000.00	November 15, 2039	327,474.50	-	11,739.65	315,734.85	14,605.09
Total Long-Term Debt Commitments					\$ 4,152,855.35	\$ -	\$ 202,937.57	\$ 3,949,917.78	\$ 145,656.03

8. LONG-TERM DEBT COMMITMENTS (Continued)

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

Issue	2013	2014	2015	2016	2017	2018-2022	2023-2027
Principal							
General Obligation Bonds:							
Series 2011	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 24,000.00	\$ 29,000.00
Series 2011A	-	-	-	-	-	-	-
Series 2011B	-	-	-	-	-	-	-
Revolving Loans:							
Sewer System Revolving Loan, Series 1997	78,175.96	80,792.94	83,497.52	86,292.65	89,181.35	45,704.03	-
Sewer System Revolving Loan, Series 1999	68,572.49	70,874.97	73,254.75	75,714.44	78,256.73	295,177.54	-
Sewer System Revolving Loan, Series 2005	3,523.93	3,615.44	3,709.32	3,805.63	42,059.57	227,258.27	258,336.27
Capital Leases:							
Electric Generator	14,082.42	14,715.07	15,376.14	9,444.53	-	-	-
Swimming Pool Lease	15,000.00	20,000.00	20,000.00	20,000.00	20,000.00	110,000.00	140,000.00
City Hall Building	11,700.00	11,700.00	11,700.00	11,700.00	11,700.00	58,500.00	58,500.00
Total Principal Payments	195,054.80	205,698.42	211,537.73	210,957.25	245,197.65	760,639.84	485,836.27
Interest							
General Obligation Bonds:							
Series 2011	7,840.00	7,680.00	7,520.00	7,360.00	7,200.00	33,360.00	28,160.00
Series 2011A	37,125.00	37,125.00	37,125.00	37,125.00	37,125.00	185,625.00	185,625.00
Series 2011B	5,737.50	5,737.50	5,737.50	5,737.50	5,737.50	28,687.50	28,687.50
Revolving Loans:							
Sewer System Revolving Loan, Series 1997	14,749.46	12,132.48	9,427.90	6,632.77	3,744.07	758.68	-
Sewer System Revolving Loan, Series 1999	21,473.49	19,171.01	16,791.23	14,331.54	11,789.25	19,983.39	-
Sewer System Revolving Loan, Series 2005	15,407.71	15,316.10	15,222.22	15,125.91	15,125.91	62,704.16	32,412.72
Capital Leases:							
Electric Generator	2,161.00	1,528.35	867.28	176.49	-	-	-
Swimming Pool Lease	19,670.00	19,100.00	18,355.00	17,435.00	16,515.00	67,918.00	36,420.00
City Hall Building	14,216.57	13,685.11	13,153.65	12,622.19	12,090.73	52,481.75	39,195.23
Total Interest Payments	138,380.73	131,475.55	124,199.78	116,546.40	109,327.46	451,518.48	350,500.45
Total Principal and Interest	\$ 333,435.53	\$ 337,173.97	\$ 335,737.51	\$ 327,503.65	\$ 354,525.11	\$ 1,212,158.32	\$ 836,336.72

8. LONG-TERM DEBT COMMITMENTS (Continued)

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

Issue	2028-2032	2033-2037	2038-2042	2043-2047	2048-2051	Total
Principal						
General Obligation Bonds:						
Series 2011	\$ 37,000.00	\$ 44,000.00	\$ 42,000.00	\$ -	\$ -	\$ 196,000.00
Series 2011A	-	-	-	-	1,088,000.00	1,088,000.00
Series 2011B	-	-	-	-	168,000.00	168,000.00
Revolving Loans:						
Sewer System Revolving						
Loan, Series 1997	-	-	-	-	-	463,644.45
Sewer System Revolving						
Loan, Series 1999	-	-	-	-	-	661,850.92
Sewer System Revolving						
Loan, Series 2005	55,760.97	-	-	-	-	598,069.40
Capital Leases:						
Electric Generator	-	-	-	-	-	53,618.16
Swimming Pool Lease	60,000.00	-	-	-	-	405,000.00
City Hall Building	58,500.00	58,500.00	23,234.85	-	-	315,734.85
Total Principal Payments	211,260.97	102,500.00	65,234.85	-	1,256,000.00	3,949,917.78
Interest						
General Obligation Bonds:						
Series 2011	21,760.00	13,880.00	4,280.00	-	-	139,040.00
Series 2011A	185,625.00	185,625.00	185,625.00	185,625.00	185,625.00	1,485,000.00
Series 2011B	28,687.50	28,687.50	28,687.50	28,687.50	28,687.50	229,500.00
Revolving Loans:						
Sewer System Revolving						
Loan, Series 1997	-	-	-	-	-	47,445.36
Sewer System Revolving						
Loan, Series 1999	-	-	-	-	-	103,539.91
Sewer System Revolving						
Loan, Series 2005	3,573.72	-	-	-	-	174,888.45
Capital Leases:						
Electric Generator	-	-	-	-	-	4,733.12
Swimming Pool Lease	3,577.50	-	-	-	-	198,990.50
City Hall Building	25,908.70	12,622.20	1,328.66	-	-	197,304.79
Total Interest Payments	269,132.42	240,814.70	219,921.16	214,312.50	214,312.50	2,580,442.13
Total Principal and Interest	\$ 480,393.39	\$ 343,314.70	\$ 285,156.01	\$ 214,312.50	\$ 1,470,312.50	\$ 6,530,359.91

9. COMPENSATED ABSENCES

Regular full time employees earn and accumulate vacation leave as follows:

<u>Years of Employment</u>	<u>Hours Earned Per Month</u>
0 – 1	3.34
2 – 9	6.67
10 – 19	10.00
20 and Over	13.34

No paid vacation leave time may be taken during the first six(6) months of employment. An employee will be allowed to carryover vacation leave from one employment anniversary year period to the next, to a maximum amount of vacation leave earned in the employee’s preceding anniversary date period.

Regular employees earn and accumulate sick leave from the beginning of employment at the rate of one day per month worked. Sick leave may be accumulated to a maximum of 30 days. Any unused sick leave at date of termination is lost.

The City accrues a liability for compensated absences which meet the following criteria:

1. The City’s obligation relating to employees’ rights to receive compensation for future absences is attributable to employees’ services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and, is material.

In accordance with the above criteria, the City has estimated a liability for annual leave which has been earned, but not taken, by City employees. The estimated liability for accrued annual leave at December 31, 2012, was \$32,456.89. The City has not estimated a liability for sick leave earned, but not taken, by City employees, as the amounts cannot be reasonably estimated.

10. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the local government 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 the level of 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 the City under this program.

11. CONTINGENT LIABILITIES

In the normal course of operations, the City receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

13. INTERFUND TRANSFERS

Operating and residual transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
Gas Utility	Consolidated Street and Highway	K.S.A. 12-825d	\$ 36,000.00
Water Utility	Swimming Pool Utility	K.S.A. 12-825d	25,000.00
Water Utility	Drainage Utility	K.S.A. 12-825d	5,956.35
Gas Utility	General	K.S.A. 12-825d	25,833.33
Sewer Utility	Sewer Utility Principal and Interest	K.S.A. 12-825d	170,230.13
Sanitation Utility	General	K.S.A. 12-825d	3,000.00
General	Municipal Equipment Reserve	K.S.A. 10-1,117	21,890.00
City Hall Improvements	General Obligation Bond and Interest	K.S.A. 12-6a16	976.89

14. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statement. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTAL INFORMATION

Schedule 1

CITY OF HUMBOLDT, KANSAS

Summary of Expenditures - Actual and Budget
 (Budgeted Funds Only)
 Regulatory Basis
 For the Year Ended December 31, 2012

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds:					
General Fund	\$ 927,750.00	\$ 19,161.25	\$ 946,911.25	\$ 932,159.12	\$ (14,752.13)
Special Purpose Funds:					
Consolidated Street and Highway	45,000.00	-	45,000.00	73,141.00	28,141.00
Bond and Interest Funds:					
General Obligation Bond and Interest	12,152.00	-	12,152.00	12,000.00	(152.00)
Business Funds:					
Gas Utility	815,950.00	1,983.84	817,933.84	559,765.09	(258,168.75)
Water Utility	594,268.00	309.26	594,577.26	596,034.56	1,457.30
Sewer Utility	465,748.00	59.51	465,807.51	441,551.12	(24,256.39)
Sanitation Utility	140,896.00	-	140,896.00	137,415.57	(3,480.43)
Swimming Pool Utility	101,177.00	-	101,177.00	96,514.43	(4,662.57)
Drainage Utility	29,150.00	-	29,150.00	18,398.99	(10,751.01)

CITY OF HUMBOLDT, 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 Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 374,034.28	\$ 394,701.04	\$ 418,944.00	\$ (24,242.96)
Delinquent Tax	9,545.68	15,729.12	12,000.00	3,729.12
Motor Vehicle Tax	76,082.81	75,984.69	74,867.00	1,117.69
Recreational Vehicle Tax	977.32	705.61	1,063.00	(357.39)
16/20M Vehicle Tax	1,558.37	1,525.11	1,542.00	(16.89)
Sales Tax	219,104.65	243,085.43	212,000.00	31,085.43
Franchise Tax	115,863.02	121,076.48	110,000.00	11,076.48
In Lieu of Taxes	927.02	1,149.24	1,000.00	149.24
Special Assessments	1,125.00	1,125.00	1,000.00	125.00
Intergovernmental				
Federal Grants	171.86	682.82	10,000.00	(9,317.18)
Fines, Forfeitures and Penalties	22,547.48	16,250.63	35,000.00	(18,749.37)
Charges for Services	8,060.00	8,400.00	5,000.00	3,400.00
Licenses and Permits				
Licenses, Permits & Fees	8,467.00	7,433.00	9,400.00	(1,967.00)
Use of Money and Property				
Interest Income	384.28	211.31	1,000.00	(788.69)
Sale of Assets	-	2,114.00	-	2,114.00
Other Revenues				
Miscellaneous	70.63	45.46	600.00	(554.54)
Reimbursed Expense	6,922.46	19,161.25	10,000.00	9,161.25
Operating Transfers from:				
Gas Utility Fund	116,515.00	25,833.33	26,000.00	(166.67)
Water Utility Fund	43,250.00	-	-	-
Sanitation Utility Fund	19,000.00	3,000.00	10,000.00	(7,000.00)
Total Receipts	1,024,606.86	938,213.52	\$ 939,416.00	\$ (1,202.48)
Expenditures				
General Government				
General Administration				
Personal Services	80,536.87	66,470.92	\$ 69,500.00	\$ (3,029.08)
Contractual Services	72,065.88	71,514.64	58,400.00	13,114.64
Commodities	11,035.17	12,424.04	10,723.00	1,701.04
Capital Outlay	-	5,672.00	-	5,672.00

CITY OF HUMBOLDT, 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 Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures (Continued)				
General Government (Continued)				
City Hall				
Contractual Services	\$ 20,520.84	\$ 22,412.90	\$ 20,500.00	\$ 1,912.90
Commodities	2,929.06	1,292.55	2,100.00	(807.45)
Capital Outlay	-	145.00	-	145.00
Capital Outlay - ADA	-	-	10,000.00	(10,000.00)
Employee Benefits				
Personal Services	123,784.89	115,358.84	122,600.00	(7,241.16)
Drainage				
Personal Services	-	1,273.51	-	1,273.51
Public Safety				
Municipal Court				
Personal Services	19,346.53	21,532.31	20,600.00	932.31
Contractual Services	1,927.32	2,912.63	3,400.00	(487.37)
Commodities	4,130.06	2,496.45	7,000.00	(4,503.55)
Police Department				
Personal Services	198,044.77	190,354.47	170,800.00	19,554.47
Contractual Services	21,212.82	18,130.46	29,303.00	(11,172.54)
Commodities	23,742.16	24,326.07	21,500.00	2,826.07
Capital Outlay	18,350.13	1,607.00	-	1,607.00
Fire Department				
Personal Services	22,257.80	19,617.80	17,500.00	2,117.80
Contractual Services	5,835.47	9,907.99	12,000.00	(2,092.01)
Commodities	8,640.28	13,028.13	11,600.00	1,428.13
Highways and Streets				
Street and Alley Department				
Personal Services	51,752.34	48,811.51	56,100.00	(7,288.49)
Contractual Services	46,173.80	53,024.76	54,256.00	(1,231.24)
Commodities	36,536.08	32,883.10	32,500.00	383.10
Capital Outlay	1,641.87	4,457.37	-	4,457.37
Noxious Weed Department				
Commodities	3,794.48	4,022.38	4,000.00	22.38

CITY OF HUMBOLDT, 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			
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Expenditures (Continued)				
Park Department				
Personal Services	\$ 17,663.16	\$ 12,765.80	\$ 14,800.00	\$ (2,034.20)
Contractual Services	15,455.69	16,644.10	16,910.00	(265.90)
Commodities	5,244.06	7,803.07	5,600.00	2,203.07
Capital Outlay	-	375.58	-	375.58
Historical Society				
Appropriation to Historical Society	9,205.00	9,206.00	9,206.00	-
Library				
Appropriation to Library	71,357.00	71,358.00	71,358.00	-
Cemetery				
Appropriation to Mt. Hope Cemetery	11,500.00	11,500.00	11,500.00	-
Tourism				
Appropriation to Chamber of Commerce	7,525.00	7,526.00	7,526.00	-
Appropriation to Civil War Days	3,068.00	3,069.00	3,069.00	-
Neighborhood Revitalization	-	-	5,061.00	(5,061.00)
Debt Service				
Principal	80,255.84	11,700.00	12,000.00	(300.00)
Interest	18,984.40	14,644.74	14,448.00	196.74
Operating Transfers to				
Equipment Reserve Fund	-	21,890.00	21,890.00	-
Total Certified Budget			927,750.00	4,409.12
Adjustments for Qualifying				
Budget Credits			19,161.25	(19,161.25)
Total Expenditures	1,014,516.77	932,159.12	\$ 946,911.25	\$ (14,752.13)
Receipts Over(Under) Expenditures	10,090.09	6,054.40		
Unencumbered Cash, Beginning	(9,446.86)	643.23		
Unencumbered Cash, Ending	\$ 643.23	\$ 6,697.63		

CITY OF HUMBOLDT, KANSAS
CONSOLIDATED STREET AND 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 Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Special Highway Tax	\$ 49,181.51	\$ 50,517.13	\$ 48,000.00	\$ 2,517.13
Use of Money and Property				
Interest Income	156.10	90.33	200.00	(109.67)
Other Revenues				
Reimbursed Expense	760.72	-	-	-
Operating Transfers from:				
Water Utility Fund	12,000.00	-	-	-
Gas Utility Fund	-	36,000.00	-	36,000.00
Total Receipts	62,098.33	86,607.46	\$ 48,200.00	\$ 38,407.46
Expenditures				
Highways and Streets				
Contractual Services	3,058.52	2,864.52	\$ 10,000.00	\$ (7,135.48)
Commodities	44,118.84	34,276.48	35,000.00	(723.52)
Capital Outlay	11,398.20	36,000.00	-	36,000.00
Total Expenditures	58,575.56	73,141.00	\$ 45,000.00	\$ 28,141.00
Receipts Over(Under) Expenditures	3,522.77	13,466.46		
Unencumbered Cash, Beginning	(2,618.69)	904.08		
Unencumbered Cash, Ending	\$ 904.08	\$ 14,370.54		

CITY OF HUMBOLDT, KANSAS
MUNICIPAL EQUIPMENT RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grants - FEMA	\$ 12,761.10	\$ -
Use of Money and Property		
Interest Income	82.38	47.67
Operating Transfers from General Fund	-	21,890.00
Total Receipts	12,843.48	21,937.67
Expenditures		
General Government		
Capital Outlay	15,514.80	35,400.00
Total Expenditures	15,514.80	35,400.00
Receipts Over(Under) Expenditures	(2,671.32)	(13,462.33)
Unencumbered Cash, Beginning	91,388.52	88,717.20
Unencumbered Cash, Ending	\$ 88,717.20	\$ 75,254.87

CITY OF HUMBOLDT, KANSAS
SEWER IMPROVEMENT PROJECT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grants	\$ -	\$ -
Total Receipts	-	-
Expenditures		
General Government		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	21.50	21.50
Unencumbered Cash, Ending	\$ 21.50	\$ 21.50

CITY OF HUMBOLDT, KANSAS
WATER IMPROVEMENT PROJECT FUND
 Schedule of Receipts and Expenditures - Actual
 Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grants - CDBG	\$ 116,808.00	\$ -
Use of Money and Property		
Loan Proceeds	1,270,000.00	-
Operating Transfers from		
Water Tower Maintenance		
Reserve Fund	18,726.82	-
Total Receipts	<u>1,405,534.82</u>	<u>-</u>
Expenditures		
General Government		
Contractual Services	27,398.38	-
Capital Outlay	424,615.08	-
Debt Service		
Principal	1,062,820.83	-
Interest	21,128.18	-
Total Expenditures	<u>1,535,962.47</u>	<u>-</u>
Receipts Over(Under) Expenditures	(130,427.65)	-
Unencumbered Cash, Beginning	130,427.65	-
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

CITY OF HUMBOLDT, KANSAS
CITY HALL IMPROVEMENTS FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grants - USDA	\$ 70,000.00	\$ -
Use of Money and Property		
Loan Proceeds	200,000.00	-
Total Receipts	270,000.00	-
Expenditures		
General Government		
Contractual Services	6,627.52	-
Capital Outlay	1,400.00	-
Debt Service		
Principal	258,830.19	-
Interest	2,909.90	-
Operating Transfer to General Obligation Bond and Interest Fund	976.89	-
Total Expenditures	270,744.50	-
Receipts Over(Under) Expenditures	(744.50)	-
Unencumbered Cash, Beginning	744.50	-
Unencumbered Cash, Ending	\$ -	\$ -

CITY OF HUMBOLDT, KANSAS
BIKE ROUTE GRANT

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
State Grants	\$ -	\$ -
Total Receipts	-	-
Expenditures		
General Government		
Capital Outlay	-	2,281.68
Total Expenditures	-	2,281.68
Receipts Over(Under) Expenditures	-	(2,281.68)
Unencumbered Cash, Beginning	3,495.43	3,495.43
Unencumbered Cash, Ending	\$ 3,495.43	\$ 1,213.75

CITY OF HUMBOLDT, KANSAS
GENERAL OBLIGATION 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 Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ -	\$ 11,790.45	\$ 12,517.00	\$ (726.55)
Delinquent Tax	-	3.04	-	3.04
In Lieu of Taxes	-	34.33	-	34.33
Operating Transfers from City Hall Improvements Fund	976.89	-	-	-
Total Receipts	976.89	11,827.82	\$ 12,517.00	\$ (689.18)
Expenditures				
Debt Service				
Principal	-	4,000.00	\$ 4,000.00	\$ -
Interest	-	8,000.00	8,000.00	-
Non-appropriated Reserve	-	-	152.00	(152.00)
Total Expenditures	-	12,000.00	\$ 12,152.00	\$ (152.00)
Receipts Over(Under) Expenditures	976.89	(172.18)		
Unencumbered Cash, Beginning	-	976.89		
Unencumbered Cash, Ending	\$ 976.89	\$ 804.71		

CITY OF HUMBOLDT, KANSAS
GAS 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 Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Operating Revenues				
Consumer Sales	\$ 610,855.29	\$ 525,547.52	\$ 680,000.00	\$ (154,452.48)
Other Fees	8,251.32	6,610.64	8,500.00	(1,889.36)
Intergovernmental				
Sales Tax	183.66	149.12	200.00	(50.88)
Use of Money and Property				
Interest Income	199.06	115.16	500.00	(384.84)
Other Revenues				
Reimbursed Expense	646.48	1,983.84	3,000.00	(1,016.16)
Total Receipts	620,135.81	534,406.28	\$ 692,200.00	\$ (157,793.72)
Expenditures				
Production				
Contractual Services	447,947.70	304,326.66	\$ 442,000.00	\$ (137,673.34)
Transmission and Distribution				
Personal Services	85,528.87	68,726.19	89,810.00	(21,083.81)
Contractual Services	5,896.45	6,507.93	9,007.00	(2,499.07)
Commodities	13,646.30	11,702.41	20,500.00	(8,797.59)
Capital Outlay	1,983.93	9,960.34	-	9,960.34
General Administration				
Personal Services	66,790.94	53,923.15	65,900.00	(11,976.85)
Contractual Services	28,527.94	26,747.62	26,700.00	47.62
Commodities	4,779.39	4,772.06	3,000.00	1,772.06
Non-Operating Expense				
Sales Taxes	11,440.52	11,265.40	18,000.00	(6,734.60)
Utility Account Refund	274.27	-	1,000.00	(1,000.00)
Non-appropriated Reserve	-	-	104,033.00	(104,033.00)

CITY OF HUMBOLDT, KANSAS
GAS 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 Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures				
Debt Service				
Principle	\$ 11,211.37	\$ -	\$ -	\$ -
Interest	1,116.10	-	-	-
Operating Transfers to:				
General Fund	116,515.00	25,833.33	26,000.00	(166.67)
Water Utility Fund	-	-	-	-
Sewer Utility Fund	35,500.00	-	10,000.00	(10,000.00)
Swimming Pool Utility Fund	15,000.00	-	-	-
Consolidated Street and Highway Fund	-	36,000.00	-	36,000.00
Total Certified Budget			815,950.00	(256,184.91)
Adjustments for Qualifying Budget Credits			1,983.84	(1,983.84)
Total Expenditures	846,158.78	559,765.09	\$ 817,933.84	\$ (258,168.75)
Receipts Over(Under) Expenditures	(226,022.97)	(25,358.81)		
Unencumbered Cash, Beginning	257,650.15	31,627.18		
Unencumbered Cash, Ending	\$ 31,627.18	\$ 6,268.37		

CITY OF HUMBOLDT, KANSAS
GAS UTILITY SURPLUS FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Improvements		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	5,121.59	5,121.59
Unencumbered Cash, Ending	\$ 5,121.59	\$ 5,121.59

CITY OF HUMBOLDT, 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 Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Operating Revenues				
Water Sales	\$ 561,949.66	\$ 569,842.45	\$ 520,000.00	\$ 49,842.45
Penalties	17,096.60	15,941.05	31,000.00	(15,058.95)
Other Fees	4,029.72	3,262.00	-	3,262.00
Intergovernmental				
Federal Grants	7,650.00	-	-	-
Sales Tax	265.76	265.13	200.00	65.13
Use of Money and Property				
Interest Income	42.52	24.61	200.00	(175.39)
Other Revenues				
Reimbursed Expense	730.48	309.26	9,000.00	(8,690.74)
Total Receipts	591,764.74	589,644.50	\$ 560,400.00	\$ 29,244.50
Expenditures				
Production				
Personal Services	156,276.60	159,666.12	\$ 155,000.00	\$ 4,666.12
Contractual Services	38,927.82	45,625.06	68,500.00	(22,874.94)
Commodities	49,534.49	46,032.30	57,200.00	(11,167.70)
Capital Outlay	-	8,624.01	-	8,624.01
Transmission and Distribution				
Personal Services	47,137.90	55,544.98	46,000.00	9,544.98
Contractual Services	5,681.45	5,816.99	8,107.00	(2,290.01)
Commodities	25,237.37	19,126.51	24,700.00	(5,573.49)
Capital Outlay	3,879.55	11,010.00	-	11,010.00
General Administration				
Personal Services	104,473.59	107,849.49	103,400.00	4,449.49
Contractual Services	20,788.00	21,593.80	19,000.00	2,593.80
Commodities	4,579.84	4,765.38	3,000.00	1,765.38

CITY OF HUMBOLDT, 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)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Expenditures (Continued)				
Non-Operating Expenses				
Sales Tax	\$ 5,911.33	\$ 6,317.65	\$ 4,000.00	\$ 2,317.65
Non-appropriated Reserve	-	-	9,498.00	(9,498.00)
Debt Service				
Principal	30,844.93	27,476.97	14,000.00	13,476.97
Interest	4,680.84	45,628.95	42,863.00	2,765.95
Operating Transfers to:				
General Fund	43,250.00	-	-	-
Consolidated Street and Highway Fund	12,000.00	-	-	-
Swimming Pool Utility Fund	11,500.00	25,000.00	34,000.00	(9,000.00)
Drainage Utility Fund	11,250.00	5,956.35	5,000.00	956.35
Total Certified Budget			594,268.00	1,766.56
Adjustments for Qualifying Budget Credits			309.26	(309.26)
Total Expenditures	575,953.71	596,034.56	\$ 594,577.26	\$ 1,457.30
Receipts Over(Under) Expenditures	15,811.03	(6,390.06)		
Unencumbered Cash, Beginning	8,088.35	23,899.38		
Unencumbered Cash, Ending	\$ 23,899.38	\$ 17,509.32		

CITY OF HUMBOLDT, KANSAS
WATER UTILITY REVENUE BOND SURPLUS FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Operating Transfers to Water Utility Fund	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	7,092.37	7,092.37
Unencumbered Cash, Ending	\$ 7,092.37	\$ 7,092.37

CITY OF HUMBOLDT, KANSAS
WATER TOWER MAINTENANCE RESERVE FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>Prior</u> <u>Year</u> <u>Actual</u>	<u>Current</u> <u>Year</u> <u>Actual</u>
Receipts		
Operating Transfer from Water Utility Fund	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Operating Transfers to Water Improvement Project Fund	18,726.82	-
Total Expenditures	18,726.82	-
Receipts Over(Under) Expenditures	(18,726.82)	-
Unencumbered Cash, Beginning	70,702.47	51,975.65
Unencumbered Cash, Ending	<u>\$ 51,975.65</u>	<u>\$ 51,975.65</u>

CITY OF HUMBOLDT, 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 Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Operating Revenues				
User Fees	\$ 415,902.11	\$ 445,590.74	\$ 450,000.00	\$ (4,409.26)
Other Fees	68.86	-	-	-
Use of Money and Property				
Interest Income	3.72	2.14	50.00	(47.86)
Other Revenues				
Reimbursed Expense	2,330.34	59.51	3,000.00	(2,940.49)
Operating Transfers from:				
Gas Utility Fund	35,500.00	-	10,000.00	(10,000.00)
Sanitation Utility Fund	10,000.00	-	-	-
Total Receipts	463,805.03	445,652.39	\$ 463,050.00	\$ (17,397.61)
Expenditures				
Collections				
Personal Services	40,010.81	41,045.08	\$ 41,800.00	\$ (754.92)
Contractual Services	2,858.09	3,773.63	3,300.00	473.63
Commodities	4,776.53	2,982.61	4,850.00	(1,867.39)
Capital Outlay	-	7,550.00	-	7,550.00
Sewage Treatment				
Personal Services	83,475.58	88,838.93	83,500.00	5,338.93
Contractual Services	33,781.41	28,725.70	30,248.00	(1,522.30)
Commodities	6,694.21	4,455.78	6,150.00	(1,694.22)
Capital Outlay	-	16,323.42	-	16,323.42
General Administration				
Personal Services	52,327.61	56,202.79	54,115.00	2,087.79
Contractual Services	7,136.09	19,721.69	6,900.00	12,821.69
Commodities	1,275.00	1,701.36	900.00	801.36

CITY OF HUMBOLDT, KANSAS
SEWER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures (Continued)				
Non-Operating Expenses				
Non-appropriated Reserve	\$ -	\$ -	\$ 7,019.00	\$ (7,019.00)
Debt Service				
Principal	4,999.00	-	-	-
Interest	69.00	-	-	-
Operating Transfers to Sewer Utility Principal and Interest Fund	226,965.96	170,230.13	226,966.00	(56,735.87)
Total Certified Budget			465,748.00	(24,196.88)
Adjustments for Qualifying Budget Credits			59.51	(59.51)
Total Expenditures	464,369.29	441,551.12	\$ 465,807.51	\$ (24,256.39)
Receipts Over(Under) Expenditures	(564.26)	4,101.27		
Unencumbered Cash, Beginning	774.17	209.91		
Unencumbered Cash, Ending	\$ 209.91	\$ 4,311.18		

CITY OF HUMBOLDT, KANSAS
SEWER UTILITY PRINCIPAL AND INTEREST FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 42.46	\$ 24.57
Operating Transfers from Sewer Utility Fund	226,965.96	170,230.13
 Total Receipts	 227,008.42	 170,254.70
 Expenditures		
Debt Service		
Principal	165,255.32	145,423.30
Interest	61,647.62	56,479.64
 Total Expenditures	 226,902.94	 201,902.94
 Receipts Over(Under) Expenditures	 105.48	 (31,648.24)
 Unencumbered Cash, Beginning	 98,864.68	 98,970.16
 Unencumbered Cash, Ending	 \$ 98,970.16	 \$ 67,321.92

CITY OF HUMBOLDT, KANSAS
SEWER UTILITY REPLACEMENT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 52.83	\$ 30.58
Total Receipts	52.83	30.58
Expenditures		
General Administration		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	52.83	30.58
Unencumbered Cash, Beginning	1,193.53	1,246.36
Unencumbered Cash, Ending	\$ 1,246.36	\$ 1,276.94

CITY OF HUMBOLDT, KANSAS
SANITATION 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 Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Operating Revenues				
User Fees	\$ 124,443.10	\$ 129,050.54	\$ 124,000.00	\$ 5,050.54
Use of Money and Property				
Interest Income	45.62	26.39	100.00	(73.61)
Total Receipts	124,488.72	129,076.93	\$ 124,100.00	\$ 4,976.93
Expenditures				
Collections				
Contractual Services	114,469.45	119,348.29	\$ 114,000.00	\$ 5,348.29
General and Administration				
Personal Services	13,311.99	13,742.36	13,630.00	112.36
Contractual Services	27.50	189.76	-	189.76
Commodities	723.00	832.61	500.00	332.61
Non-Operating Expenditures				
Sales Tax	279.98	302.55	300.00	2.55
Non-appropriated Reserve	-	-	2,466.00	(2,466.00)
Operating Transfers to:				
General Fund	19,000.00	3,000.00	-	3,000.00
Sewer Utility Fund	10,000.00	-	10,000.00	(10,000.00)
Total Expenditures	157,811.92	137,415.57	\$ 140,896.00	\$ (3,480.43)
Receipts Over(Under) Expenditures	(33,323.20)	(8,338.64)		
Unencumbered Cash, Beginning	42,005.78	8,682.58		
Unencumbered Cash, Ending	<u>\$ 8,682.58</u>	<u>\$ 343.94</u>		

CITY OF HUMBOLDT, KANSAS
SWIMMING POOL 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 Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Operating Revenues				
Admission Charges	\$ 22,067.25	\$ 19,887.54	\$ 21,400.00	\$ (1,512.46)
Intergovernmental				
Sales Tax	44,174.20	50,055.97	44,000.00	6,055.97
Use of Money and Property				
Interest Income	7.32	4.23	-	4.23
Other Revenues				
Donations	-	1,356.00	-	1,356.00
Operating Transfers from:				
Gas Utility Fund	15,000.00	-	-	-
Sanitation Utility Fund	-	-	-	-
Water Utility Fund	11,500.00	25,000.00	34,000.00	(9,000.00)
Total Receipts	92,748.77	96,303.74	\$ 99,400.00	\$ (3,096.26)
Expenditures				
Culture and Recreation				
Personal Services	31,558.58	32,099.85	\$ 42,300.00	\$ (10,200.15)
Contractual Services	9,899.86	13,685.76	7,000.00	6,685.76
Commodities	12,507.83	10,981.87	14,250.00	(3,268.13)
Capital Outlay	2,192.00	4,506.95	-	4,506.95
Appropriations to Humboldt				
Public Building Commission	35,810.00	35,240.00	35,240.00	-
Non-Operating Expenditures				
Non-appropriated Reserve	-	-	2,387.00	(2,387.00)
Total Expenditures	91,968.27	96,514.43	\$ 101,177.00	\$ (4,662.57)
Receipts Over(Under) Expenditures	780.50	(210.69)		
Unencumbered Cash, Beginning	66.95	847.45		
Unencumbered Cash, Ending	<u>\$ 847.45</u>	<u>\$ 636.76</u>		

CITY OF HUMBOLDT, KANSAS
SWIMMING POOL RESERVE FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfers from Sanitation Utility Fund	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Culture and Recreation Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	45,000.00	45,000.00
Unencumbered Cash, Ending	<u>\$ 45,000.00</u>	<u>\$ 45,000.00</u>

CITY OF HUMBOLDT, KANSAS
DRAINAGE UTILITY FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Operating Revenue				
User Fees	\$ 11,366.66	\$ 11,513.67	\$ 22,000.00	\$ (10,486.33)
Operating Transfers from Water Utility Fund	11,250.00	5,956.35	5,000.00	956.35
Total Receipts	22,616.66	17,470.02	\$ 27,000.00	\$ (9,529.98)
Expenditures				
Collections				
Personal Services	22,362.86	18,398.99	\$ 20,200.00	\$ (1,801.01)
Capital Outlay	675.00	-	2,000.00	(2,000.00)
Non Appropriated Reserve	-	-	6,950.00	(6,950.00)
Total Expenditures	23,037.86	18,398.99	\$ 29,150.00	\$ (10,751.01)
Receipts Over(Under) Expenditures	(421.20)	(928.97)		
Unencumbered Cash, Beginning	1,350.17	928.97		
Unencumbered Cash, Ending	\$ 928.97	\$ -		

CITY OF HUMBOLDT, KANSAS
COMMUNITY DEVELOPMENT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 105.70	\$ 79.78
Other Revenue		
Reimbursed Expense	12,945.00	-
	13,050.70	79.78
Total Receipts		
Expenditures		
Community Development		
Contractual Services	2,476.61	3,818.88
Capital Outlay	14,000.00	-
	16,476.61	3,818.88
Total Expenditures		
Receipts Over(Under) Expenditures	(3,425.91)	(3,739.10)
Unencumbered Cash, Beginning	100,454.47	97,028.56
Unencumbered Cash, Ending	\$ 97,028.56	\$ 93,289.46

CITY OF HUMBOLDT, KANSAS
LEITZBACH TRUST FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 0.45	\$ -
Total Receipts	0.45	-
Expenditures		
Culture and Recreation		
Appropriation to Library	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	0.45	-
Unencumbered Cash, Beginning	5,708.54	5,708.99
Unencumbered Cash, Ending	\$ 5,708.99	\$ 5,708.99

CITY OF HUMBOLDT, KANSAS
SCHANEMAN-ROURK TRUST FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Distribution from Rourk Estate	\$ 6,382.99	\$ -
Interest Income	3.48	1.86
	6,386.47	1.86
Total Receipts		
Expenditures		
Charitable Bequests and Assistance	8,314.70	5,749.70
Total Expenditures	8,314.70	5,749.70
Receipts Over(Under) Expenditures	(1,928.23)	(5,747.84)
Unencumbered Cash, Beginning	10,449.98	8,521.75
Unencumbered Cash, Ending	\$ 8,521.75	\$ 2,773.91

CITY OF HUMBOLDT, KANSAS
AGENCY FUNDS
Schedule of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2012

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Payroll Clearing Fund	\$ 43,514.00	\$ 14,098.64	\$ 13,436.95	\$ 44,175.69
Employee Flex	(802.87)	5,020.49	4,231.20	(13.58)
ING Deferred Comp	-	4,680.00	4,680.00	-
KS Drug Forfeitures	15.99	-	-	15.99
Police Donations	1,377.53	2,102.08	2,099.94	1,379.67
River Park	275.56	-	275.56	-
Rebuild Public Square	637.27	1,522.80	1,812.30	347.77
Downtown Action Team	11,363.02	31,695.29	13,142.89	29,915.42
	<u>\$ 56,380.50</u>	<u>\$ 59,119.30</u>	<u>\$ 39,678.84</u>	<u>\$ 75,820.96</u>



The Honorable Mayor and City Council
City of Humboldt, Kansas

In planning and performing our audit of the financial statements of the City of Humboldt, Kansas, as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Humboldt's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Humboldt, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Humboldt, Kansas' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the use of the Mayor, City Council, and management of the City of Humboldt, Kansas and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Jarred, Gilmore & Phillips, PA".

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 20, 2013
Chanute, Kansas

Jarred, Gilmore & Phillips, PA
CERTIFIED PUBLIC ACCOUNTANTS

412 W. MAIN, P.O. BOX 97
NEODESHA, KANSAS 66757
(620) 325-3430

1815 S. SANTA FE, P.O. BOX 779
CHANUTE, KANSAS 66720
(620) 431-6342

16 W. JACKSON
IOLA, KANSAS 66749
(620) 365-3125

www.jgppa.com