

CITY OF OBERLIN, KANSAS
Financial Statement with Independent Auditor's Report
For the Year Ended December 31, 2012

MAPES & MILLER LLP
Certified Public Accountants
Norton, Kansas

CITY OF OBERLIN, KANSAS
 Financial Statement with Independent Auditor's Report
 For the Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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

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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.

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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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the applicable audit requirements of the Kansas Municipal Audit and Accounting Guide. Those standards and the Kansas Municipal Audit and Accounting Guide require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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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.

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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 Oberlin, 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 the 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 Oberlin, 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 Oberlin, 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 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 cash receipts and expenditures-actual and budget and regulatory basis summary of cash receipts and cash disbursements-agency funds (Schedules 1, 2 and 3 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 are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. The schedule of expenditures of federal awards (Schedule 4 as listed in the table of contents) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2013, on our consideration of the City of Oberlin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Oberlin's internal control over financial reporting and compliance.

Mapes & Miller LLP

Certified Public Accountants

Norton, Kansas
September 19, 2013

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting Guide, the financial statement of the City of Oberlin (City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Those are listed as 2012-1 and 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

City of Oberlin's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the Mayor and City Council, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

Mapes & Miller LLP

Certified Public Accountants

Norton, Kansas
September 19, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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Report on Compliance for Each Major Federal Program

We have audited the City of Oberlin's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program have occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Mayor and City Council, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

Mapes & Miller LLP

Certified Public Accountants

Norton, Kansas
September 19, 2013

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

STATEMENT 1
 Page 1

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Types:							
General Funds							
General	\$ 284,002	0	1,176,463	1,134,851	325,614	10,051	335,665
Special Purpose Funds							
Special Street	404,523	0	121,020	336,246	189,297	0	189,297
Library	20,406	0	37,692	57,150	948	0	948
Special Parks and Recreation	13,326	0	6,491	1,578	18,239	16	18,255
Tourism and Convention Promotion	2,180	0	9,971	12,151	0	0	0
Gateway Civic Center	148,065	0	81,010	164,752	64,323	2,030	66,353
Community Growth	14,279	0	0	1,291	12,988	0	12,988
Centennial Trust	1,519	0	101	923	697	0	697
Memorials	9,292	0	0	1,704	7,588	0	7,588
Risk Management Reserve	104,498	0	0	3,073	101,425	0	101,425
Special Law Enforcement Trust	57,004	0	30	2,636	54,398	0	54,398
Special Equipment	91,076	0	0	15,967	75,109	0	75,109
Gateway Donation	517,449	0	931	104,966	413,414	0	413,414
Cemetery Directory	3,375	0	18,833	20,350	1,858	550	2,408
Bond and Interest Funds							
Bond and Interest	31,052	0	11,427	42,479	0	0	0
Capital Project Funds:							
Airport Project	0	0	2,069,035	2,350,929	(281,894)	0	(281,894)
CDBG Street Grant	0	0	546,432	588,956	(42,524)	50,243	7,719
Water Treatment Plant	4,347,164	0	1,126,064	5,471,876	1,352	195	1,547
Business Funds							
Electric Utility	220,306	0	1,992,625	2,014,643	198,288	92,751	291,039
Electric Reserve	689,318	0	583,701	733,319	539,700	0	539,700
Customer Deposits	0	0	25,986	25,986	0	44,657	44,657
Sewer Utility	194,527	0	318,086	311,317	201,296	282	201,578
Water Utility	212,804	0	700,638	331,872	581,570	31,513	613,083

(Continued)

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

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

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Sewer Reserve	\$ 803,433	0	28,535	0	831,968	0	831,968
Sappa Valley Youth	27,309	0	0	5,007	22,302	0	22,302
Total Primary Government	8,196,907	0	8,855,071	13,734,022	3,317,956	232,288	3,550,244
Related Municipal Entities:							
Oberlin Public Library							
General	2,942	0	59,018	54,526	7,434	0	7,434
State Grant	0	0	761	761	0	0	0
Northwest Kansas Library System Grant	0	0	3,500	3,500	0	0	0
Smart Start NWK Project Grant	500	0	0	0	500	0	500
Memorials and Donations	45,747	0	2,831	6,516	42,062	0	42,062
Capital Improvement	967	0	0	0	967	0	967
Total Related Municipal Entities	50,156	0	66,110	65,303	50,963	0	50,963
Total Reporting Entity (Excluding Agency Funds)	\$ 8,247,063	0	8,921,181	13,799,325	3,368,919	232,288	3,601,207

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

CITY OF OBERLIN, KANSAS
 Composition of Cash
 Regulatory Basis
For the Year Ended December 31, 2012

Primary Government:	
Cash on Hand	\$ 750
The Bank, Oberlin, Kansas	
Checking Accounts	7,720
NOW Accounts	3,290,034
Savings Accounts	154,300
First National Bank, Oberlin, Kansas	
Certificates of Deposit	100,000
UMB Bank, Kansas City, Missouri	
Money Market	31
Total Cash and Investments	3,552,835
Less: Agency Funds - Schedule 3	(2,591)
Total Primary Government	3,550,244
Related Municipal Entities:	
Oberlin Public Library Board:	
The Bank, Oberlin, Kansas	
NOW Account	8,699
First National Bank, Oberlin, Kansas	
NOW Account	13,266
Certificates of Deposit	28,998
Total Related Municipal Entities	50,963
Total Reporting Entity per Statement 1, Page 2	\$ 3,601,207

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

CITY OF OBERLIN, KANSAS

Notes to the Financial Statement

December 31, 2012

1. Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

The City of Oberlin, Kansas operates as a third class city in accordance with the laws of the State of Kansas. The City operates under a mayor-council form of government and provides the following services: public safety (police and fire protection), highways and streets, electricity, water, sewer, sanitation, social, culture and recreation, planning and zoning, public improvements and general administrative services. The financial statement presents the City of Oberlin, Kansas (the municipality) and one related municipal entity. The following related municipal entity was established to benefit the city and/or its constituents.

Oberlin Public Library. The Oberlin Public Library operates a municipal public library for the City of Oberlin. A seven-member board of trustees is appointed by the City Council to oversee the operation. The City annually levies a tax for the operation of the Library and also provides the facilities. The City can also issue bonded debt for the benefit of the Library. The Library Board must obtain the approval for the acquisition or disposal of real property from the City Council.

Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the City for the year 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 specific purposes.

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.

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.

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.)

Agency fund—funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, etc.)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The Kansas Municipal Audit and Accounting Guide (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.

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 mandatory, the statutes provide for the following sequence and timetable in 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 final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The Special Street, Gateway Civic Center and Water Utility funds were amended in this manner 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 statements 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 funds:

	<u>Statutory Authority for Exemption</u>
Special Purpose Funds:	
Centennial Trust	K.S.A. 79-2925
Memorials	K.S.A. 79-2925
Cemetery Directory	K.S.A. 79-2925
CDBG Street Grant	K.S.A. 12-1663
Risk Management Reserve	K.S.A. 12-2615
Special Law Enforcement Trust	K.S.A. 60-4117
Special Equipment	K.S.A. 12-1,117
Gateway Donation	K.S.A. 79-2925
Business Funds:	
Electric Reserve	K.S.A. 12-825d
Customer Deposits	K.S.A. 12-822
Sewer Reserve	K.S.A. 12-631p
Water Treatment Plant	K.S.A. 12-6a16
Wastewater Project	K.S.A. 12-631p

Spending in funds which are not subject to the legal annual operating budget requirements are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

2. Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the City and the Library. The statute requires banks eligible to hold the City's and Library'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 the funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. Neither the City nor the Library have other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's and the Library'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. Neither the City nor the Library have an investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City and the Library 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 or the Library's deposits may not be returned to it. State statutes require the City's and the Library'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%. Neither the City nor the Library have designated any "peak periods" with eligible depositories. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the City's carrying amount of deposits was \$3,552,085 and the bank balance was \$3,770,033. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$455,627 was covered by federal depository insurance, and \$3,314,406 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2012, the Library's carrying amount of deposits was \$50,963 and the bank balance was \$53,230. The bank balance was held by two banks resulting in a concentration of credit risk. All of the bank balance was covered by federal depository insurance.

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 or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. At December 31, 2012, the City and the Library held no investments except for certificates of deposit which are considered as a component of deposits.

3. Defined Benefit Pension Plan

Plan Description

The City of Oberlin, Kansas and the Oberlin Public Library contribute to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) 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. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

4. Other Long-Term Obligations from Operations

Other Post Employment 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.

Compensated AbsencesCity of Oberlin

Vacation Pay. Full-time City employees earn one day of vacation for each month worked. Employees who have been employed by the City for more than ten years but less than fifteen years earn one and one quarter (1 1/4) vacation days per month. Employees who have been employed by the City for more than fifteen years but less than twenty years earn one and one half (1 1/2) vacation days per month. Employees who have been employed by the City for more than twenty years earn one and three quarters (1 3/4) vacation days per month. Vacation can be accumulated up to thirty days. The cost of accumulated vacation pay as of December 31, 2012 was \$39,755.

Sick Pay. Sick leave is granted to employees at a rate of one day per calendar month and may be accumulated to 120 days. The cost of accumulated sick leave is not payable upon termination and therefore was not recorded or estimated as of December 31, 2012.

Oberlin Public Library

Vacation Pay. The head librarian earns seven days of vacation in the first year of employment. After the first year of service, the head librarian earns fourteen days of vacation per year. Assistants working fifteen hours or more per week earn three days of vacation in the first year of employment. After the first year of service, assistants working fifteen hours or more per week earn seven days of vacation per year. Assistants with two or more years of service who fall below the fifteen-hour per week may retain the seven days vacation per year benefit at the Board's discretion. Vacation time is not allowed to accumulate and any unused time is forfeited, therefore, no cost for accumulated vacation pay was recorded or estimated as of December 31, 2012.

Sick Pay. The head librarian earns sick leave at the rate of one day per month, accumulative to thirty days. Assistants working fifteen hours or more per week, earn sick leave at the rate of one-half day per month accumulative to fifteen days. The cost of accumulated sick leave is not payable upon termination and therefore was not recorded or estimated as of December 31, 2012.

5. Regulatory RequirementsBudget Violations

K.S.A. 79-2935 states that expenditures shall be controlled so that no indebtedness is created in excess of budgeted limits. Expenditures in the Water Utility Fund exceeded the published budget by \$17,544. This appears to be a violation of this statute.

6. Capital Projects

At year end, capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

<u>Construction Fund</u>	<u>Project Authorization</u>	<u>Cash Disbursements and Accounts Payable to Date</u>
Airport Project	\$ 3,045,591	2,982,440
CDBG Street Project	590,936	588,956
Water Treatment Plant	1,331,591	1,330,239

7. **Interfund Transactions**

Operating transfers were as follows:

From	To	Statutory Authority	Amount
Electric Utility	General	K.S.A. 12-825d	\$ 50,000
Electric Utility	Electric Reserve	K.S.A. 12-825d	75,000
Electric Utility	Special Street	K.S.A. 12-825d	75,000
Sewer Utility	Sewer Reserve	K.S.A. 12-825d	28,066
Sewer Utility	Water Utility	K.S.A. 12-825d	45,655
Electric Utility	Customer Deposits	K.S.A. 12-825d	1,286
Memorials	Cemetery Directory	K.S.A 79-2925	1,704

Residual equity transfers were as follows:

From	To	Statutory Authority	Amount
Bond and Interest	General	N/A	42,479

8. **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 has been unable to obtain worker's compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the State to participate in The Kansas Municipal Insurance Trust (KMIT), a municipal group funded pool currently operating as a common risk management and insurance program for 149 participating members.

The City pays an annual premium to KMIT for its worker's compensation insurance coverage. The agreement to participate provides that KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT's management.

The City continues to carry commercial insurance for all other risks of loss, including property, general liability, inland marine, law enforcement liability, underground storage tank liability, airport owners and operators general liability and automobile. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. **Claims and Judgments**

The City participates in federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of the date of this report, the grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect of any of the individual government funds or the overall financial position of the City.

During the ordinary course of its operations the City is a party to various claims, legal actions, and complaints. It is the opinion of the City's management and legal counsel that these matters are not anticipated to have a material financial impact on the City.

10. Long-term Debt

Changes in long-term liabilities for the City of Oberlin, Kansas for the year ended December 31, 2012, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds:										
Series 2003 Water System Improvements	4.25%	08/15/03	1,047,800	08/15/37	665,300	0	14,800		650,500	28,275
Series 2012 Water Treatment System Improvements	2.13%	12/17/12	1,080,000	12/20/52	<u>0</u>	<u>1,080,000</u>	<u>0</u>		<u>1,080,000</u>	<u>0</u>
Total General Obligation Bonds					<u>665,300</u>	<u>1,080,000</u>	<u>14,800</u>		<u>1,730,500</u>	<u>28,275</u>
Capital Leases:										
Global MX3 Street Sweeper	2.86%	01/13/12	160,000	01/17/17	0	160,000	14,997		145,003	2,288
Caterpillar Wheel Loader	3.20%	12/27/12	135,546	03/12/17	<u>0</u>	<u>135,546</u>	<u>0</u>		<u>135,546</u>	<u>0</u>
Total Capital Leases					<u>0</u>	<u>295,546</u>	<u>14,997</u>		<u>280,549</u>	<u>2,288</u>
KDHE Loans:										
Water Pollution	2.77%	05/25/04	1,580,175	03/01/26	1,165,628	0	66,326		1,099,302	31,832
Temporary Notes	1.10%	02/22/11	4,473,000	03/01/13	<u>4,473,000</u>	<u>0</u>	<u>4,473,000</u>		<u>0</u>	<u>65,741</u>
Total Contractual Indebtedness					<u>6,303,928</u>	<u>1,375,546</u>	<u>4,569,123</u>		<u>3,110,351</u>	<u>128,136</u>

10. Long-term Debt - (Continued)

Current maturities of long-term debt for the City of Oberlin, Kansas through maturity are as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018-2022</u>	<u>2023-2027</u>	<u>2028-2032</u>	<u>2033-2037</u>	<u>2038-2042</u>	<u>2043-2047</u>	<u>2048-2052</u>	<u>Total</u>
PRINCIPAL													
General Obligation Bonds:													
Series 2003 Water System Improvements	\$ 15,400	16,100	16,800	17,500	18,200	103,400	127,300	156,700	179,100	0	0	0	650,500
Series 2012 Water Treatment System Improvements	<u>17,401</u>	<u>17,771</u>	<u>18,148</u>	<u>18,474</u>	<u>18,926</u>	<u>100,780</u>	<u>111,957</u>	<u>124,334</u>	<u>138,172</u>	<u>153,498</u>	<u>170,521</u>	<u>190,018</u>	<u>1,080,000</u>
Total General Obligation Bonds	<u>32,801</u>	<u>33,871</u>	<u>34,948</u>	<u>35,974</u>	<u>37,126</u>	<u>204,180</u>	<u>239,257</u>	<u>281,034</u>	<u>317,272</u>	<u>153,498</u>	<u>170,521</u>	<u>190,018</u>	<u>1,730,500</u>
Capital Leases:													
Global MX 3 Street Sweeper	30,641	31,523	32,431	33,366	17,042	0	0	0	0	0	0	0	145,003
Caterpillar Wheel Loader	<u>27,989</u>	<u>25,632</u>	<u>26,452</u>	<u>27,299</u>	<u>28,174</u>	<u>0</u>	<u>135,546</u>						
Total Capital Leases	<u>58,630</u>	<u>57,155</u>	<u>58,883</u>	<u>60,665</u>	<u>45,216</u>	<u>0</u>	<u>280,549</u>						
KDHE Loans:													
Water Pollution	<u>68,176</u>	<u>70,078</u>	<u>72,032</u>	<u>74,041</u>	<u>76,107</u>	<u>413,583</u>	<u>325,285</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,099,302</u>
TOTAL PRINCIPAL	<u>159,607</u>	<u>161,104</u>	<u>165,863</u>	<u>170,680</u>	<u>158,449</u>	<u>617,763</u>	<u>564,542</u>	<u>281,034</u>	<u>317,272</u>	<u>153,498</u>	<u>170,521</u>	<u>190,018</u>	<u>3,110,351</u>
INTEREST													
General Obligation Bonds:													
Series 2003 Water System Improvements	27,646	26,992	26,308	25,594	24,850	111,954	88,035	58,591	22,325	0	0	0	412,295
Series 2012 Water Treatment System Improvements	<u>22,950</u>	<u>22,580</u>	<u>22,203</u>	<u>21,817</u>	<u>21,424</u>	<u>100,918</u>	<u>89,746</u>	<u>77,335</u>	<u>63,548</u>	<u>48,230</u>	<u>31,213</u>	<u>12,308</u>	<u>534,272</u>
Total General Obligation Bonds	<u>50,596</u>	<u>49,572</u>	<u>48,511</u>	<u>47,411</u>	<u>46,274</u>	<u>212,872</u>	<u>177,781</u>	<u>135,926</u>	<u>85,873</u>	<u>48,230</u>	<u>31,213</u>	<u>12,308</u>	<u>946,567</u>
Capital Leases:													
Global MX 3 Street Sweeper	3,930	3,047	2,139	1,205	244	0	0	0	0	0	0	0	10,565
Caterpillar Wheel Loader	<u>1,084</u>	<u>3,442</u>	<u>2,622</u>	<u>1,775</u>	<u>902</u>	<u>0</u>	<u>9,825</u>						
Total Capital Leases	<u>5,014</u>	<u>6,489</u>	<u>4,761</u>	<u>2,980</u>	<u>1,146</u>	<u>0</u>	<u>20,390</u>						
KDHE Loans:													
Water Pollution	<u>29,982</u>	<u>28,080</u>	<u>26,126</u>	<u>24,117</u>	<u>22,051</u>	<u>77,206</u>	<u>18,268</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>225,830</u>
TOTAL INTEREST	<u>85,592</u>	<u>84,141</u>	<u>79,398</u>	<u>74,508</u>	<u>69,471</u>	<u>290,078</u>	<u>196,049</u>	<u>135,926</u>	<u>85,873</u>	<u>48,230</u>	<u>31,213</u>	<u>12,308</u>	<u>1,192,787</u>
TOTAL PRINCIPAL AND INTEREST	<u>\$ 245,199</u>	<u>245,245</u>	<u>245,261</u>	<u>245,188</u>	<u>227,920</u>	<u>907,841</u>	<u>760,591</u>	<u>416,960</u>	<u>403,145</u>	<u>201,728</u>	<u>201,734</u>	<u>202,326</u>	<u>4,303,138</u>

CITY OF OBERLIN, KANSAS
REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012

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

SCHEDULE 1

Description	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Types:					
General Funds					
General	\$ 2,474,190	61,836	2,536,026	1,134,851	(1,401,175)
Special Purpose Funds					
Special Street	337,000	0	337,000	336,246	(754)
Library	57,150	0	57,150	57,150	0
Special Parks and Recreation	15,029	0	15,029	1,578	(13,451)
Tourism and Convention Promotion	13,500	0	13,500	12,151	(1,349)
Gateway Civic Center	171,300	0	171,300	164,752	(6,548)
Community Growth	14,951	0	14,951	1,291	(13,660)
Bond and Interest Funds					
Bond and Interest	43,330	0	43,330	42,479	(851)
Business Funds					
Electric Utility	2,140,100	4,284	2,144,384	2,014,643	(129,741)
Sewer Utility	311,158	159	311,317	311,317	0
Water Utility	314,075	253	314,328	331,872	17,544
Sappa Valley Youth	27,202	0	27,202	5,007	(22,195)

CITY OF OBERLIN, KANSAS

SCHEDULE 2

General Fund

Page 1

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

Cash Receipts:	Actual	Budget	Variance Over (Under)
Taxes			
Ad Valorem Property	\$ 479,866	484,002	(4,136)
Delinquent	22,363	4,500	17,863
Motor Vehicle	107,272	104,109	3,163
Recreational Vehicle	1,900	1,938	(38)
16/20M Vehicle	3,182	3,125	57
Excise	35	71	(36)
Local Sales	133,545	120,500	13,045
Intergovernmental			
Local Alcoholic Liquor	5,049	5,113	(64)
Licenses, Fees, Fines and Permits			
Franchise Fees	28,374	25,500	2,874
Licenses and Permits	17,475	12,500	4,975
Court Fines	16,062	15,200	862
Use of Money and Property			
Interest on Idle Funds	4,251	3,800	451
Other			
Swimming Pool	13,107	13,000	107
Cemetery Lots	1,750	2,800	(1,050)
Rentals	4,775	2,200	2,575
Miscellaneous	4,326	0	4,326
Reimbursed Expense-Other	14,036	2,200	11,836
Reimbursed Expense-County for Airport Project	50,000	0	50,000
Trash Service	158,800	148,000	10,800
Airport Fuel Sales	15,628	0	15,628
Crop Share	0	300	(300)
Donations	2,188	200	1,988
Federal Grants	0	1,400,000	(1,400,000)
Residual Equity Transfer from Bond & Interest	42,479	43,330	(851)
Transfer from Electric	50,000	50,000	0
Total Cash Receipts	<u>1,176,463</u>	<u>2,442,388</u>	<u>(1,265,925)</u>

CITY OF OBERLIN, KANSAS

SCHEDULE 2

General Fund

Page 2

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
Expenditures:			
General Government:			
Personal Services	\$ 72,541	75,000	(2,459)
Contractual Services	32,668	96,500	(63,832)
Commodities	3,508	4,000	(492)
Capital Outlay	689	0	689
Miscellaneous	<u>11,372</u>	<u>0</u>	<u>11,372</u>
Total General Government	<u>120,778</u>	<u>175,500</u>	<u>(54,722)</u>
Police Department:			
Personal Services	252,805	224,500	28,305
Contractual Services	74,727	70,100	4,627
Commodities	14,110	12,900	1,210
Capital Outlay	20,351	18,000	2,351
Miscellaneous	<u>849</u>	<u>0</u>	<u>849</u>
Total Police Department	<u>362,842</u>	<u>325,500</u>	<u>37,342</u>
Street Department:			
Contractual Services	20,887	7,000	13,887
Commodities	22,455	8,500	13,955
Capital Outlay	0	35,000	(35,000)
Miscellaneous	185	0	185
Lease Payments	<u>17,285</u>	<u>0</u>	<u>17,285</u>
Total Street Department	<u>60,812</u>	<u>50,500</u>	<u>10,312</u>
Cemetery:			
Personal Services	49,018	48,500	518
Contractual Services	8,136	5,500	2,636
Commodities	9,237	9,500	(263)
Capital Outlay	6,957	6,500	457
Miscellaneous	<u>1,157</u>	<u>0</u>	<u>1,157</u>
Total Cemetery	<u>74,505</u>	<u>70,000</u>	<u>4,505</u>

(Continued)

CITY OF OBERLIN, KANSAS

SCHEDULE 2

General Fund

Page 3

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
Fire Department:			
Personal Services	\$ 8,554	9,600	(1,046)
Contractual Services	1,996	2,500	(504)
Commodities	<u>513</u>	<u>300</u>	<u>213</u>
Total Fire Department	<u>11,063</u>	<u>12,400</u>	<u>(1,337)</u>
Park:			
Personal Services	5,323	12,100	(6,777)
Contractual Services	21,718	20,500	1,218
Commodities	4,674	4,800	(126)
Capital Outlay	2,702	3,000	(298)
Miscellaneous	<u>76</u>	<u>0</u>	<u>76</u>
Total Park	<u>34,493</u>	<u>40,400</u>	<u>(5,907)</u>
Pool:			
Personal Services	37,982	41,500	(3,518)
Contractual Services	3,530	3,500	30
Commodities	15,083	24,500	(9,417)
Capital Outlay	7,511	8,000	(489)
Miscellaneous	<u>225</u>	<u>0</u>	<u>225</u>
Total Pool	<u>64,331</u>	<u>77,500</u>	<u>(13,169)</u>
Airport:			
Personal Services	3,173	3,100	73
Contractual Services	11,176	12,500	(1,324)
Commodities	19,507	16,000	3,507
Capital Outlay	9,653	1,400,000	(1,390,347)
Local Matching Reimbursement to Airport Project Fund	124,763	70,000	54,763
Miscellaneous	<u>51</u>	<u>0</u>	<u>51</u>
Total Airport	<u>168,323</u>	<u>1,501,600</u>	<u>(1,333,277)</u>

(Continued)

CITY OF OBERLIN, KANSAS

SCHEDULE 2

General Fund

Page 4

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
Municipal Court:			
Personal Services	\$ 6,849	6,600	249
Contractual Services	<u>5,617</u>	<u>2,500</u>	<u>3,117</u>
Total Municipal Court	<u>12,466</u>	<u>9,100</u>	<u>3,366</u>
Animal Control:			
Personal Services	12,348	12,900	(552)
Contractual Services	2,788	2,200	588
Commodities	517	190	327
Capital Outlay	<u>844</u>	<u>0</u>	<u>844</u>
Total Pool	<u>16,497</u>	<u>15,290</u>	<u>1,207</u>
Other Expenditures:			
Trash Service	159,611	148,000	11,611
Library	6,130	2,000	4,130
Appropriations to EDC	35,000	38,400	(3,400)
Appropriations to Arts and Humanities Commission	<u>8,000</u>	<u>8,000</u>	<u>0</u>
Total Other Expenditures	<u>208,741</u>	<u>196,400</u>	<u>12,341</u>
Adjustment for Qualifying Budget Credits:			
Excess Reimbursed Expense	<u>0</u>	<u>61,836</u>	<u>(61,836)</u>
Total Expenditures	<u>1,134,851</u>	<u>2,536,026</u>	<u>(1,401,175)</u>
Cash Receipts Over (Under) Expenditures	41,612		
Unencumbered Cash, Beginning	<u>284,002</u>		
Unencumbered Cash, Ending	\$ <u>325,614</u>		

CITY OF OBERLIN, KANSAS

SCHEDULE 2

Special Street Fund

Page 5

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
State of Kansas	\$ 45,954	45,954	0
Miscellaneous	66	66	0
Transfer from Electric Utility	<u>75,000</u>	<u>75,000</u>	<u>0</u>
Total Receipts	<u>121,020</u>	<u>121,020</u>	<u>0</u>
Expenditures:			
Personal Services	46,432	48,500	(2,068)
Contractual Services	12,850	500	12,350
Commodities	30,026	0	30,026
Infrastructure Improvements	50,422	90,000	(39,578)
Local Match Reimbursement to CDBG Street Grant Fund	<u>196,516</u>	<u>198,000</u>	<u>(1,484)</u>
Total Expenditures	<u>336,246</u>	<u>337,000</u>	<u>(754)</u>
Cash Receipts Over (Under) Expenditures	(215,226)		
Unencumbered Cash, Beginning	<u>404,523</u>		
Unencumbered Cash, Ending	\$ <u>189,297</u>		

CITY OF OBERLIN, KANSAS

SCHEDULE 2

Library Fund

Page 6

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Taxes			
Ad Valorem Property	\$ 24,428	24,636	(208)
Delinquent	1,846	700	1,146
Motor Vehicle	11,050	10,754	296
16/20M Vehicle	168	323	(155)
Recreational Vehicle	196	200	(4)
Excise	<u>4</u>	<u>7</u>	<u>(3)</u>
Total Cash Receipts	<u>37,692</u>	<u>36,620</u>	<u>1,072</u>
Expenditures:			
Personal Services	41,331	40,500	831
Commodities	0	650	(650)
Appropriations to Library Board	54,500	54,500	0
Reimbursed Expense	<u>(38,681)</u>	<u>(38,500)</u>	<u>(181)</u>
Total Expenditures	<u>57,150</u>	<u>57,150</u>	<u>0</u>
Cash Receipts Over (Under) Expenditures	(19,458)		
Unencumbered Cash, Beginning	<u>20,406</u>		
Unencumbered Cash, Ending	<u>\$ 948</u>		

CITY OF OBERLIN, KANSAS
Special Parks and Recreation Fund

SCHEDULE 2

Page 7

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

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Local Alcoholic Liquor Tax	\$ 5,049	5,112	(63)
Donations	225	0	225
Miscellaneous	1,217	0	1,217
Total Cash Receipts	6,491	5,112	1,379
Expenditures:			
Contractual Services	271	8,500	(8,229)
Commodities	5	1,529	(1,524)
Capital Outlay	1,302	5,000	(3,698)
Total Expenditures	1,578	15,029	(13,451)
Cash Receipts Over (Under) Expenditures	4,913		
Unencumbered Cash, Beginning	13,326		
Unencumbered Cash, Ending	\$ 18,239		

CITY OF OBERLIN, KANSAS
Tourism and Convention Promotion Fund

SCHEDULE 2

Page 8

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Transient Guest Tax	\$ <u>9,971</u>	<u>13,500</u>	<u>(3,529)</u>
Expenditures:			
Appropriations to Convention and Visitors Bureau	<u>12,151</u>	<u>13,500</u>	<u>(1,349)</u>
Cash Receipts Over (Under) Expenditures	(2,180)		
Unencumbered Cash, Beginning	<u>2,180</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

CITY OF OBERLIN, KANSAS

Gateway Civic Center Fund

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Catering and Concessions	\$ 60,524	61,500	(976)
Rentals	15,167	15,600	(433)
Miscellaneous	<u>5,319</u>	<u>5,500</u>	<u>(181)</u>
Total Cash Receipts	<u>81,010</u>	<u>82,600</u>	<u>(1,590)</u>
Expenditures:			
Personal Services	94,667	96,500	(1,833)
Commodities	35,222	44,000	(8,778)
Contractual	34,179	30,000	4,179
Capital Outlay	549	600	(51)
Miscellaneous	<u>135</u>	<u>200</u>	<u>(65)</u>
Total Expenditures	<u>164,752</u>	<u>171,300</u>	<u>(6,548)</u>
Cash Receipts Over (Under) Expenditures	(83,742)		
Unencumbered Cash, Beginning	<u>148,065</u>		
Unencumbered Cash, Ending	\$ <u>64,323</u>		

CITY OF OBERLIN, KANSAS

Community Growth Fund

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Grants	\$ <u>0</u>	<u>0</u>	<u>0</u>
Expenditures:			
Contractual	1,242	4,500	(3,258)
Miscellaneous	49	0	49
Capital Outlay	<u>0</u>	<u>10,451</u>	<u>(10,451)</u>
Total Expenditures	<u>1,291</u>	<u>14,951</u>	<u>(13,660)</u>
Cash Receipts Over (Under) Expenditures	(1,291)		
Unencumbered Cash, Beginning	<u>14,279</u>		
Unencumbered Cash, Ending	\$ <u>12,988</u>		

CITY OF OBERLIN, KANSAS

SCHEDULE 2

Bond and Interest Fund

Page 11

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Taxes			
Delinquent	\$ 2,468	1,300	1,168
Motor Vehicle	8,131	7,812	319
16/20M Vehicle	682	234	448
Recreational Vehicle	143	145	(2)
Excise	<u>3</u>	<u>5</u>	<u>(2)</u>
Total Cash Receipts	<u>11,427</u>	<u>9,496</u>	<u>1,931</u>
Expenditures:			
Transfer to General	<u>42,479</u>	<u>43,330</u>	<u>(851)</u>
Total Expenditures	<u>42,479</u>	<u>43,330</u>	<u>(851)</u>
Cash Receipts Over (Under) Expenditures	(31,052)		
Unencumbered Cash, Beginning	<u>31,052</u>		
Unencumbered Cash, Ending	\$ <u><u>0</u></u>		

CITY OF OBERLIN, KANSAS

SCHEDULE 2

Electric Utility Fund

Page 12

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Electric Sales	\$ 1,972,095	1,900,000	72,095
Hookup Charges and Rentals	1,585	2,000	(415)
Miscellaneous	8,861	2,500	6,361
Reimbursed Expense	<u>10,084</u>	<u>5,800</u>	<u>4,284</u>
Total Cash Receipts	<u>1,992,625</u>	<u>1,910,300</u>	<u>82,325</u>
Expenditures:			
Personal Services	281,319	337,500	(56,181)
Commodities	1,302,471	1,250,000	52,471
Contractual	150,300	75,000	75,300
Capital Outlay	71,074	270,000	(198,926)
Miscellaneous	593	0	593
Appropriations to EDC	7,600	7,600	0
Transfer to General	50,000	50,000	0
Transfer to Electric Reserve	75,000	75,000	0
Transfer to Special Street	75,000	75,000	0
Transfer to Customer Deposits	1,286	0	1,286
Adjustment for Qualifying Budget Credits:			
Excess Reimbursed Expense	<u>0</u>	<u>4,284</u>	<u>(4,284)</u>
Total Expenditures	<u>2,014,643</u>	<u>2,144,384</u>	<u>(129,741)</u>
Cash Receipts Over (Under) Expenditures	(22,018)		
Unencumbered Cash, Beginning	<u>220,306</u>		
Unencumbered Cash, Ending	\$ <u>198,288</u>		

CITY OF OBERLIN, KANSAS

SCHEDULE 2

Sewer Utility Fund

Page 13

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Sewer Service Charges	\$ 299,486	340,000	(40,514)
Crop Share Income	15,755	7,880	7,875
Reimbursed Expense	2,759	2,600	159
Miscellaneous	<u>86</u>	<u>0</u>	<u>86</u>
Total Cash Receipts	<u>318,086</u>	<u>350,480</u>	<u>(32,394)</u>
Expenditures:			
Personal Services	75,011	78,000	(2,989)
Contractual Services	49,908	35,000	14,908
Commodities	11,453	9,500	1,953
Capital Outlay	2,572	15,500	(12,928)
Miscellaneous	25	0	25
Interest	31,832	31,832	0
Principal	66,326	66,326	0
Transfer to Sewer Reserve	28,535	75,000	(46,465)
Transfer to Water Utility	45,655	0	45,655
Adjustment for Qualifying Budget Credits:			
Excess Reimbursed Expense	<u>0</u>	<u>159</u>	<u>(159)</u>
Total Expenditures	<u>311,317</u>	<u>311,317</u>	<u>0</u>
Cash Receipts Over (Under) Expenditures	6,769		
Unencumbered Cash, Beginning	<u>194,527</u>		
Unencumbered Cash, Ending	\$ <u>201,296</u>		

CITY OF OBERLIN, KANSAS

SCHEDULE 2

Water Utility Fund

Page 14

Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Water Sales	\$ 488,033	485,000	3,033
Water Dock Sales	1,538	1,350	188
Miscellaneous	6,805	6,146	659
Reimbursed Expense	9,753	9,500	253
Reimbursement from Water Treatment Plant Fund	148,854	148,854	0
Transfer from Sewer Utility	<u>45,655</u>	<u>45,655</u>	<u>0</u>
Total Cash Receipts	<u>700,638</u>	<u>696,505</u>	<u>4,133</u>
Expenditures:			
Personal Services	102,594	105,000	(2,406)
Contractual Services	62,630	79,000	(16,370)
Commodities	64,552	68,000	(3,448)
Capital Outlay	17,664	18,000	(336)
Miscellaneous	515	1,000	(485)
Reimbursement to Water Treatment Plant Fund	40,842	0	40,842
Loan Principal	14,800	14,800	0
Loan Interest	28,275	28,275	0
Adjustment for Qualifying Budget Credits:			
Excess Reimbursed Expense	<u>0</u>	<u>253</u>	<u>(253)</u>
Total Expenditures	<u>331,872</u>	<u>314,328</u>	<u>17,544</u>
Cash Receipts Over (Under) Expenditures	368,766		
Unencumbered Cash, Beginning	<u>212,804</u>		
Unencumbered Cash, Ending	<u>\$ 581,570</u>		

CITY OF OBERLIN, KANSAS

SCHEDULE 2

Sappa Valley Youth Fund

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Schedule of Cash Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Sale of Fixed Assets	\$ <u>0</u>	<u>0</u>	<u>0</u>
Expenditures:			
Contractual	5,007	8,000	(2,993)
Commodities	0	3,800	(3,800)
Capital Outlay	<u>0</u>	<u>15,402</u>	<u>(15,402)</u>
Total Expenditures	<u>5,007</u>	<u>27,202</u>	<u>(22,195)</u>
Cash Receipts Over (Under) Expenditures	(5,007)		
Unencumbered Cash, Beginning	<u>27,309</u>		
Unencumbered Cash, Ending	\$ <u>22,302</u>		

CITY OF OBERLIN, KANSAS
 Any Nonbudgeted Fund
 Schedule of Cash Receipts and Expenditures
 Regulatory Basis
For the Year Ended December 31, 2012

SCHEDULE 2
 Page 16

	Centennial Trust	Memorials	Airport Project	CDBG Street Grant
Cash Receipts:				
Donations	\$ 100	0	0	0
Federal Grants	0	0	1,944,272	349,916
Local Matching Reimbursement	0	0	124,763	196,516
Interest on Idle Funds	1	0	0	0
Total Cash Receipts	101	0	2,069,035	546,432
Expenditures:				
Construction - Federal Funds	0	0	2,222,936	392,957
Construction - Local Funds	0	0	127,993	195,999
Capital Outlay	923	0	0	0
Transfer to Cemetery Directory	0	1,704	0	0
Total Expenditures	923	1,704	2,350,929	588,956
Cash Receipts Over (Under) Expenditures	(822)	(1,704)	(281,894)	(42,524)
Unencumbered Cash, Beginning	1,519	9,292	0	0
Unencumbered Cash, Ending	\$ 697	7,588	(281,894)	(42,524)

CITY OF OBERLIN, KANSAS
 Any Nonbudgeted Fund
 Schedule of Cash Receipts and Expenditures
 Regulatory Basis
For the Year Ended December 31, 2012

	<u>Risk Management Reserve</u>	<u>Special Law Enforcement Trust</u>	<u>Special Equipment</u>
Cash Receipts:			
Interest on Idle Funds	\$ 0	30	0
Expenditures:			
Commodities	0	1,236	0
Contractual Services	2,000	1,400	15,967
Miscellaneous	<u>1,073</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>3,073</u>	<u>2,636</u>	<u>15,967</u>
Cash Receipts Over (Under) Expenditures	(3,073)	(2,606)	(15,967)
Unencumbered Cash, Beginning	<u>104,498</u>	<u>57,004</u>	<u>91,076</u>
Unencumbered Cash, Ending	\$ <u>101,425</u>	<u>54,398</u>	<u>75,109</u>

CITY OF OBERLIN, KANSAS
 Any Nonbudgeted Fund
 Schedule of Cash Receipts and Expenditures
 Regulatory Basis
For the Year Ended December 31, 2012

	Sewer Reserve	Electric Reserve	Customer Deposits
Cash Receipts:			
Deposits	\$ 0	0	24,700
Insurance Proceeds	0	434,889	0
Miscellaneous	0	70,975	0
Reimbursed Expenses	0	2,837	0
Transfer from Sewer Utility	28,535	0	0
Transfer from Electric Utility	0	75,000	1,286
	<u>28,535</u>	<u>583,701</u>	<u>25,986</u>
Total Cash Receipts			
	<u>28,535</u>	<u>583,701</u>	<u>25,986</u>
Expenditures:			
Constructual Services	0	185,817	0
Capital Outlay	0	547,502	0
Deposit Refunds	0	0	25,986
	<u>0</u>	<u>733,319</u>	<u>25,986</u>
Total Expenditures			
	<u>0</u>	<u>733,319</u>	<u>25,986</u>
Cash Receipts Over (Under) Expenditures	28,535	(149,618)	0
Unencumbered Cash, Beginning	803,433	689,318	0
	<u>803,433</u>	<u>689,318</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u>831,968</u>	<u>539,700</u>	<u>0</u>

CITY OF OBERLIN, KANSAS
Any Nonbudgeted Fund
Schedule of Cash Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2012

SCHEDULE 2
Page 19

	Gateway Donation	Cemetery Directory	Water Treatment Plant
Cash Receipts:			
Interest on Idle Funds	\$ 476	2	0
Investment Income	0	0	5,222
Loan Proceeds	0	0	1,080,000
Reimbursement from Water Utility Fund	0	0	40,842
Donations	0	17,127	0
Miscellaneous	455	0	0
Transfer from Memorials	0	1,704	0
Total Cash Receipts	931	18,833	1,126,064
Non-Federal Expenditures:			
Contractual	12,958	0	0
Capital Outlay	92,008	20,350	0
Water Project Reimbursement to Water Utility Fund	0	0	148,854
Loan Principal	0	0	4,473,000
Total Non-Federal Expenditures	104,966	20,350	4,621,854
Federal Expenditures:			
Contractual	0	0	141,603
Capital Outlay	0	0	632,033
Loan Interest	0	0	65,741
Bond Issuance Costs	0	0	10,645
Total Federal Expenditures	0	0	850,022
Total Expenditures	104,966	20,350	5,471,876
Cash Receipts Over (Under) Expenditures	(104,035)	(1,517)	(4,345,812)
Unencumbered Cash, Beginning	517,449	3,375	4,347,164
Unencumbered Cash, Ending	\$ 413,414	1,858	1,352

CITY OF OBERLIN, KANSAS
 Related Municipal Entities
 Schedule of Cash Receipts and Expenditures
 Regulatory Basis
For the Year Ended December 31, 2012

	Oberlin Public Library		
	General	State Grant	Northwest Kansas Library System Grant
Cash Receipts:			
Appropriation from City	\$ 54,500	0	0
Grant Proceeds	0	761	3,500
Fines and Fees	4,216	0	0
Interest on Idle Funds	2	0	0
Miscellaneous	300	0	0
Total Cash Receipts	59,018	761	3,500
Expenditures			
Salaries and Wages	38,408	0	0
Retirement	3,713	0	0
Audio and Video	459	567	1,275
Books and Periodicals	6,981	194	2,225
Special Projects	58	0	0
Building Repairs	587	0	0
Electronic Equipment Purchases and Maintenance	956	0	0
Memorial Expense	250	0	0
Miscellaneous	98	0	0
Postage	390	0	0
Supplies	2,240	0	0
Telecommunications	386	0	0
Total Expenditures	54,526	761	3,500
Cash Receipts Over (Under) Expenditures	4,492	0	0
Unencumbered Cash, Beginning	2,942	0	0
Unencumbered Cash, Ending	\$ 7,434	0	0

CITY OF OBERLIN, KANSAS
 Related Municipal Entities
 Schedule of Cash Receipts and Expenditures
 Regulatory Basis
For the Year Ended December 31, 2012

	Oberlin Public Library		
	Smart Start NWK Project Grant	Memorials and Donations	Capital Improvement
Cash Receipts:			
Memorials and Donations	\$ 0	2,370	0
Miscellaneous	0	300	0
Interest on Idle Funds	0	161	0
Total Cash Receipts	0	2,831	0
Expenditures			
Books and Periodicals	0	6,516	0
Cash Receipts Over (Under) Expenditures	0	(3,685)	0
Unencumbered Cash, Beginning	500	45,747	967
Unencumbered Cash, Ending	\$ 500	42,062	967

CITY OF OBERLIN, KANSAS

SCHEDULE 3

Agency Funds
 Summary of Cash Receipts and Cash Disbursements
 Regulatory Basis
For the Year Ended December 31, 2012

<u>Fund</u>	Beginning <u>Cash Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending <u>Cash Balance</u>
Flexible Spending Account	\$ 0	7,296	7,296	0
Payroll Clearing	<u>1,243</u>	<u>115,443</u>	<u>114,095</u>	<u>2,591</u>
Total Agency Funds	\$ <u>1,243</u>	<u>122,739</u>	<u>121,391</u>	<u>2,591</u>

CITY OF OBERLIN, KANSAS
SINGLE AUDIT SECTION
FOR THE YEAR ENDED DECMEBER 31, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Transportation Passed through the Federal Aviation Administration Airport Improvement Program	20.106	<u>2,222,936</u>
U.S. Department of Housing and Urban Development Passed through the Kansas Department of Commerce Community Development Block Grant	14.228	<u>392,957</u>
U.S. Department of Agriculture Water and Waste Disposal Loans and Grants	10.770	<u>850,022</u>
Total Expenditures of Federal Awards		<u><u>\$ 3,465,915</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Oberlin, Kansas, under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards is prepared using the regulatory basis of accounting to comply with the cash basis laws of the State of Kansas. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances.

Note C - Local Government Contributions

Local cost sharing, as defined by the OMB Circular A-102, Attachment F, is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENT

Type of auditors' report issued:

In accordance with the statutory basis of accounting described in Note 1 to the financial statement

Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ___ Yes _x_ No
- Significant deficiencies identified that are not considered to be material weaknesses? _x_ Yes ___ No
- Noncompliance material to financial statement noted? ___ Yes _x_ No

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? ___ Yes _x_ No
- Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes _x_ No

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

___ Yes _x_ No

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>
20.106	Airport Improvement Program
14.228	Community Development Block Grant
10.770	Water and Waste Disposal Loans and Grants

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

___ Yes _x_ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

2012-1 Segregation of Duties

Condition: The limited staff size does not provide for adequate segregating of duties.

Criteria: Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Cause: Because the entity is small, management does not feel it is feasible to hire more staff.

Effect: Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Recommendation: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation. However, the size of the entity does not make it practical to have a sufficient number of employees to achieve the optimum level of internal controls.

2012-2 Financial Statement Preparation

Condition: Management does not have the training necessary to prepare the financial statements which would include the related footnote disclosures.

Criteria: Management must have controls over the preparation of the financial statements including footnote disclosures which would prevent or detect an omission/misstatement in the financial statements.

Cause: There are no procedures in place that require management to obtain the necessary training.

Effect: The control deficiency allows for omission/misstatements in the financial statements including footnotes that may not be prevented, detected, or corrected.

Recommendation: Management would need to attend training classes and annual continuing education classes to gain an understanding on proper and complete preparation of the financial statements and footnote disclosures and to be aware of all of the current accounting standards by purchasing annual accounting subscriptions.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no reportable findings.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Not applicable