

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

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

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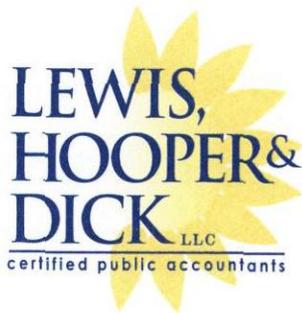
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INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Sublette, 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 Sublette, Kansas, as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* of the State of Kansas described in Note 1.

Report on Supplementary Information

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

The 2011 actual columns presented in the individual fund schedules of cash receipts and expenditures (Schedule 2's as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2011 financial statement upon which we rendered an unqualified opinion dated June 26, 2012. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards, at the following link <http://www.da.ks.gov/ar/muniserv/EAuditAccept.htm>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statements or to the 2011 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statements as a whole.

The Honorable Mayor and City Council Members
City of Sublette, Kansas
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Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Lewis, Hooper & Dick, LLC
LEWIS, HOOPER & DICK, LLC

June 6, 2013

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

Fund	Unencumbered Cash (Deficit) 1/1/12	Receipts	Expenditures	Unencumbered Cash 12/31/12	Outstanding Encumbrances and Payables	Treasurer's Cash 12/31/12
Governmental Type Funds						
General	\$ 226,769	\$ 998,679	\$ 816,560	\$ 408,888	\$ 34,043	\$ 442,931
Special Purpose Funds:						
Special Street and Highway	27,596	37,774	38,260	27,110	-	27,110
Equipment Reserve	114,689	35,000	74,988	74,701	-	74,701
Memorial Contributions	2,990	-	-	2,990	-	2,990
Capital Project Funds:						
Capital Projects	(8,968)	8,968	-	-	-	-
Business Funds						
Water Utility	375,886	410,931	301,225	485,392	16,774	502,166
Water Depreciation Reserve	794,874	77,407	423,475	448,806	161,292	610,098
Water Deposits	30,982	2,600	478	33,104	13	33,117
Total Reporting Entity (memorandum only)	\$ 1,564,618	\$ 1,571,359	\$ 1,654,986	\$ 1,480,991	\$ 212,122	\$ 1,693,113

Composition of cash:

Centera Bank:		
Money market checking account	\$ 984,306	
Checking account	108,207	
Petty cash checking account	500	
Total cash in bank		\$ 1,093,013
Certificates of deposit		600,000
Change fund - water utility		100
Total cash		\$ 1,693,113

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

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

1. Summary of significant accounting policies

The City of Sublette, Kansas, was incorporated under the provisions of the State of Kansas. The City operates under a City Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities operations.

A. Financial reporting entity

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

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

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

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

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

C. Regulatory basis fund types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used by the City:

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

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

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

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

1. Summary of significant accounting policies (continued)

C. Regulatory basis fund types (continued)

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

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

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

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

D. Cash and investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the City (except for investments in the Kansas Municipal Investment Pool). Cash includes amounts in demand deposits, time deposits and certificates of deposit. Interest income earned, unless specifically designated, is allocated to the general fund.

E. Property taxes and special assessments

The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the counties. The County Appraiser annually determines assessed valuations based on real property transactions as recorded by the Register of Deeds and personal property holdings reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls and the County Treasurer collects the taxes for all taxing entities within the County.

Taxes are assessed on a calendar year basis, are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1st of the ensuing year. One-half of the property taxes are due December 20th and distributed to the District by January 20th to finance a portion of the current year's budget. The second half is due May 10th and distributed to the City by June 5th. The City Treasurer draws available funds from the County Treasurer's office at designated times throughout the year.

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City. Special assessments received prior to or after the issuance of general obligation bonds are recorded as receipts in the appropriate project fund. Further, state statutes require levying additional general ad valorem property taxes in the Bond and Interest Fund to finance delinquent special assessments receivable.

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

1. Summary of significant accounting policies (continued)

F. Interfund transactions

Quasi-external transactions (i.e., transactions that would be treated as receipts or expenditures if they involved organizations external to the governmental unit, such as internal service fund billings to departments) are accounted for as receipts or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

G. Reimbursements

A reimbursement is an expenditure initially made in one fund, but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed by other funds. In accounting for such reimbursements, the City records an expenditure in the reimbursing fund, and a reduction of expenditure in the reimbursed fund, following the authoritative guidance of the *Governmental Accounting, Auditing and Financial Reporting*.

H. Memorandum totals

Totals on the financial statement are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. No consolidated financial information is presented nor is all required disclosures presented for these amounts.

2. Stewardship, compliance and accountability

A. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no amendments to the original budget for the year ended December 31, 2012. However, a qualifying budget adjustment for expenditures outside the legal maximum budget for the Water Depreciation Reserve fund exists as allowed per Kansas statutes 10-123 and 65-163u for public water supply improvements.

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

2. Stewardship, compliance and accountability (continued)

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

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

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

B. Compliance with Kansas statutes

References made herein to the statutes are not intended as interpretation of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representative of the City. No known material violations occurred.

3. Detailed notes on all funds

A. Deposits and investments

A reconciliation of cash and investments as shown in the composition of cash on the summary statement of receipts, expenditures and unencumbered cash on Statement 1 is as follows:

Cash on hand	\$	100
Carrying amount of deposits		1,693,013
Total cash	\$	1,693,113

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

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

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

3. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank of Topeka except during designated "peak periods" when required coverage is 50%. The City does not use designated "peak periods". All deposits were legally secured at December 31, 2012.

At December 31, 2012, the City's carrying amount of deposits was \$1,693,113 and the bank balance was \$1,699,673. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$365,155 was covered by federal depository insurance and \$1,334,518 was collateralized with securities held by the pledging financial institutions' agents in the City's name. The City's cash deposits at year-end are as follows:

	<u>Centera Bank</u>
FDIC Coverage	\$ 365,155
Pledged securities at market value	1,775,783
Total coverage	\$ 2,140,938
Funds on deposit	\$ 1,699,673
Funds at risk	\$ -

Custodial credit risk - investments

Custodial credit risk for an investment is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments of this type at December 31, 2012.

B. Capital projects in process

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

	<u>Project Authorization</u>	<u>Disbursements and Accounts Payable to Date</u>	<u>Committed</u>
Water well repairs	\$ 64,411	\$ 64,411	\$ -
Water system improvements	903,000	720,514	182,486
Water lines	80,148	67,211	12,937
Sewer repairs	61,645	46,686	14,959
Street sealing	58,737	58,737	-
Paint water tower	48,190	48,190	-
Bloomfield Addition	929,440	-	929,440

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

3. Detailed notes on all funds (continued)

C. Long-term debt

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

<u>Issue</u>	<u>Date of Issue</u>	<u>Maximum Rate</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance 1/1/12</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance 12/31/12</u>	<u>Interest Paid</u>
Temporary notes payable: Series 2011	08/01/11	1.90%	\$ 908,000	08/15/13	\$ 908,000	\$ -	\$ -	\$ 908,000	\$ 16,581
Capital leases payable: Fire equipment	04/16/12	4.15%	\$ 70,854	04/16/19	-	70,854	-	70,854	-
Total long-term debt					<u>\$ 908,000</u>	<u>\$ 70,854</u>	<u>\$ -</u>	<u>\$ 978,854</u>	<u>\$ 16,581</u>

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

	<u>Year</u>						<u>Total</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018-2019</u>	
Principal:							
Temporary notes payable	\$ 908,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 908,000
Capital lease payable	8,931	9,301	9,687	10,085	10,508	22,342	70,854
Total principal	<u>916,931</u>	<u>9,301</u>	<u>9,687</u>	<u>10,085</u>	<u>10,508</u>	<u>22,342</u>	<u>978,854</u>
Interest:							
Temporary notes payable	16,581	-	-	-	-	-	16,581
Capital lease payable	2,940	2,570	2,184	1,787	1,363	1,400	12,244
Total interest	<u>19,521</u>	<u>2,570</u>	<u>2,184</u>	<u>1,787</u>	<u>1,363</u>	<u>1,400</u>	<u>28,825</u>
Total principal and interest	<u>\$ 936,452</u>	<u>\$ 11,871</u>	<u>\$ 11,871</u>	<u>\$ 11,872</u>	<u>\$ 11,871</u>	<u>\$ 23,742</u>	<u>\$ 1,007,679</u>

Subsequent to December 31, 2012, the City entered into a bond purchase agreement in the amount of \$908,000 at a rate of 1.90% for water system improvements. Stated maturity is December 1, 2013. The proceeds from the bond issue are to be used to call the temporary notes outstanding.

Legal debt margin

The debt limit per K.S.A. 10-308 is thirty percent of the assessed tangible valuation of the City adjusted for exempt farm property, business aircraft and motor vehicles given by the County Assessor to the County Clerk on August 25th each year. Per K.S.A. 10-309, certain bond issues are not subject to the bonded indebtedness limitation; these include the refunding bonds and the limited obligation bonds issued for the purpose of acquiring, enlarging, extending or improving any municipal utility; or to pay the cost of improvements to intersections of streets and alleys or that portion of any street immediately in front of city or school district property. The amount of debt outstanding does not exceed the statutory limit.

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

3. Detailed notes on all funds (continued)

D. Interfund transfers between funds

Interfund operating transfers are as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>		
General	Equipment Reserve	12-1117	\$	35,000
General	Water Depreciation Reserve	12-1117		27,407
Water Utility	General	12-825d		60,000
Water Utility	Water Depreciation Reserve	12-825d		<u>50,000</u>
Total				<u>\$ 172,407</u>

4. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B. Post-employment health care benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

C. Compensated absences

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

The City's policy regarding vacation leave pay permits employees to accumulate vacation days at a maximum rate of 18 days per year. Not more than 18 days can be accumulated and carried over from one calendar year to the next. Upon termination, employees are compensated for all accumulated vacation days at their final rate of pay.

The City's policy regarding sick leave pay permits employees to accumulate leave days at a maximum rate of 12 days per year for total accumulation of 60 days. Sick leave may be used for sick leave, bereavement leave and personal leave. The City does not pay employees for unused sick leave.

D. Retirement plan

In 2001, the City established SEP-IRA's for employees with contributions equaling 5% of the participants' gross salaries paid annually. Employees are covered after meeting length of service requirements.

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

4. Other information (continued)

E. Related party transactions

The City purchases goods and services from businesses operated by City Council members and/or their immediate families. The City paid these businesses \$50,342 during the year ended December 31, 2012.

F. Subsequent events

Subsequent to December 31, 2012, the City entered into an agreement for engineering services to construct a wastewater lagoon in the amount of \$292,000. In addition, the City accepted the bids from related parties for lift station construction and lagoon rehabilitation at a cost of \$1,207,075, and concrete crushing at a cost of \$13,710. The City also approved the purchase of a backhoe loader in the amount of \$64,920.

REGULATORY REQUIRED SUPPLEMENTAL INFORMATION

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

Fund	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget	Expenditures Chargeable to Current Year Budget	Variance Over (Under)
<u>Governmental Type Funds</u>					
General	\$ 1,046,197	\$ -	\$ 1,046,197	\$ 816,560	\$ (229,637)
Special Purpose Funds:					
Special Street and Highway	68,016	-	68,016	38,260	(29,756)
Equipment Reserve	146,932	-	146,932	74,988	(71,944)
<u>Business Funds</u>					
Water Utility	357,465	-	357,465	301,225	(56,240)
Water Depreciation Reserve	397,111	537,294	934,405	423,475	(510,930)
Water Deposits	34,806	-	34,806	478	(34,328)

CITY OF SUBLETTE, 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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Ad valorem tax	\$ 395,399	\$ 405,320	\$ 417,304	\$ (11,984)
Delinquent tax	9,401	9,557	-	9,557
Motor and recreational vehicle tax	60,550	65,780	69,759	(3,979)
Sales and compensating use tax	259,259	290,326	232,030	58,296
Franchise taxes	70,711	72,675	64,750	7,925
Trash collections	62,628	66,070	62,900	3,170
Licenses and permits	960	1,073	1,000	73
Park	5,128	4,789	5,000	(211)
Fines and forfeitures	4,480	10,496	1,750	8,746
Reimbursed expense	2,063	6,210	3,335	2,875
Miscellaneous	2,244	5,134	500	4,634
Interest on idle funds	1,218	1,249	500	749
Transfer from Water Utility	60,000	60,000	60,000	-
Total receipts	934,041	998,679	\$ 918,828	\$ 79,851
Expenditures:				
General government:				
Salaries	2,280	2,280	\$ 2,575	\$ (295)
Contractual	50,234	43,959	48,125	(4,166)
Commodities	10,926	9,110	11,500	(2,390)
Capital outlay	23,882	45,638	140,465	(94,827)
Miscellaneous	10,065	377	-	377
Total general government	97,387	101,364	202,665	(101,301)
Police:				
Salaries	23,311	24,853	16,200	8,653
Contractual	104,200	104,200	108,160	(3,960)
Commodities	-	-	1,000	(1,000)
Miscellaneous	50	20	-	20
Total police	127,561	129,073	125,360	3,713
Street:				
Salaries	145,633	147,116	190,495	(43,379)
Contractual	67,952	45,812	23,000	22,812
Commodities	75,923	72,927	82,400	(9,473)
Capital outlay	-	-	1,400	(1,400)
Miscellaneous	2,925	5,000	-	5,000
Total street	292,433	270,855	297,295	(26,440)

(continued)

CITY OF SUBLETTE, 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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
(continued)				
Expenditures:				
Fire:				
Salaries	\$ 15,095	\$ 15,629	\$ 12,520	\$ 3,109
Contractual	3,727	4,385	6,000	(1,615)
Commodities	17,386	18,293	10,000	8,293
Capital outlay	-	-	10,000	(10,000)
Miscellaneous	105	500	-	500
Total fire	<u>36,313</u>	<u>38,807</u>	<u>38,520</u>	<u>287</u>
Swimming pool and parks:				
Salaries	23,018	21,769	20,700	1,069
Contractual	6,148	2,649	6,000	(3,351)
Commodities	13,925	16,723	20,000	(3,277)
Capital outlay	-	-	500	(500)
Miscellaneous	270	1,031	-	1,031
Total swimming pool and parks	<u>43,361</u>	<u>42,172</u>	<u>47,200</u>	<u>(5,028)</u>
Health, sanitation and sewer:				
Contractual	55,831	56,429	84,050	(27,621)
Commodities	4,419	3,020	16,000	(12,980)
Capital outlay	-	6,165	10,000	(3,835)
Miscellaneous	3,052	930	-	930
Total health, sanitation and sewer	<u>63,302</u>	<u>66,544</u>	<u>110,050</u>	<u>(43,506)</u>
Airport improvements:				
Capital outlay	-	-	1,000	(1,000)
Employee benefits:				
Employer FICA	15,720	15,911	20,500	(4,589)
Workmen's compensation	14,795	16,317	22,700	(6,383)
Medical insurance	79,548	64,783	106,150	(41,367)
Employee retirement	8,972	8,327	12,350	(4,023)
Total employee benefits	<u>119,035</u>	<u>105,338</u>	<u>161,700</u>	<u>(56,362)</u>
Transfers out	<u>47,652</u>	<u>62,407</u>	<u>62,407</u>	<u>-</u>
Total expenditures	<u>827,044</u>	<u>816,560</u>	<u>\$ 1,046,197</u>	<u>\$ (229,637)</u>
Receipts over expenditures	106,997	182,119		
Unencumbered cash, beginning	<u>119,772</u>	<u>226,769</u>		
Unencumbered cash, ending	<u>\$ 226,769</u>	<u>\$ 408,888</u>		

CITY OF SUBLETTE, KANSAS
 Special 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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
State payments	\$ 38,282	\$ 37,774	\$ 40,420	\$ (2,646)
Expenditures:				
Salaries	-	-	\$ 10,610	\$ (10,610)
Commodities	29,899	38,260	57,406	(19,146)
Total expenditures	29,899	38,260	\$ 68,016	\$ (29,756)
Receipts over (under) expenditures	8,383	(486)		
Unencumbered cash, beginning	19,213	27,596		
Unencumbered cash, ending	\$ 27,596	\$ 27,110		

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

	Prior Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Transfer from General	\$ 35,541	\$ 35,000	\$ 35,000	\$ -
Expenditures:				
Equipment purchases	16,991	74,988	\$ 146,932	\$ (71,944)
Receipts over (under) expenditures	18,550	(39,988)		
Unencumbered cash, beginning	96,139	114,689		
Unencumbered cash, ending	<u>\$ 114,689</u>	<u>\$ 74,701</u>		

CITY OF SUBLETTE, KANSAS
 Memorial Contribtuion 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 Actual	Actual
Receipts:		
Donations	\$ -	\$ -
Expenditures:		
Capital outlay	-	-
Receipts over expenditures	-	-
Unencumbered cash, beginning	2,990	2,990
Unencumbered cash, ending	\$ 2,990	\$ 2,990

CITY OF SUBLETTE, KANSAS
 Capital 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)

	<u>Prior Actual</u>	<u>Actual</u>
Receipts:		
State payments	\$ 352,067	\$ 8,968
Transfer from other funds	<u>12,111</u>	<u>-</u>
Total receipts	<u>364,178</u>	<u>8,968</u>
Expenditures:		
Capital outlay	<u>381,257</u>	<u>-</u>
Receipts over (under) expenditures	(17,079)	8,968
Unencumbered cash (deficit), beginning	<u>8,111</u>	<u>(8,968)</u>
Unencumbered cash (deficit), ending	<u><u>\$ (8,968)</u></u>	<u><u>\$ -</u></u>

CITY OF SUBLETTE, 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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Water collections	\$ 295,334	\$ 277,457	\$ 263,500	\$ 13,957
Sewer collections	-	70,766	-	70,766
Royalties	86,173	57,476	10,900	46,576
Sale of water meters	390	-	1,500	(1,500)
Interest	2,436	2,286	10,000	(7,714)
Miscellaneous	8,685	2,946	2,500	446
Total receipts	393,018	410,931	\$ 288,400	\$ 122,531
Expenditures:				
Salaries	49,358	56,324	\$ 52,965	\$ 3,359
Repairs and maintenance	37,244	22,188	31,000	(8,812)
Electric power	68,507	60,981	100,000	(39,019)
Sales tax	1,708	1,871	5,000	(3,129)
Accounting and legal services	-	-	5,000	(5,000)
Meters and supplies	13,482	6,852	15,000	(8,148)
Office supplies and postage	1,398	9,488	8,500	988
Gas, oil and service	7,957	2,382	5,000	(2,618)
Miscellaneous	26,749	27,985	5,000	22,985
Capital expenditures	-	3,154	20,000	(16,846)
Transfer to General	60,000	60,000	60,000	-
Transfer to Water Depreciation Reserve	10,000	50,000	50,000	-
Total expenditures	276,403	301,225	\$ 357,465	\$ (56,240)
Receipts over expenditures	116,615	109,706		
Unencumbered cash, beginning	259,071	375,686		
Unencumbered cash, ending	<u>\$ 375,686</u>	<u>\$ 485,392</u>		

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

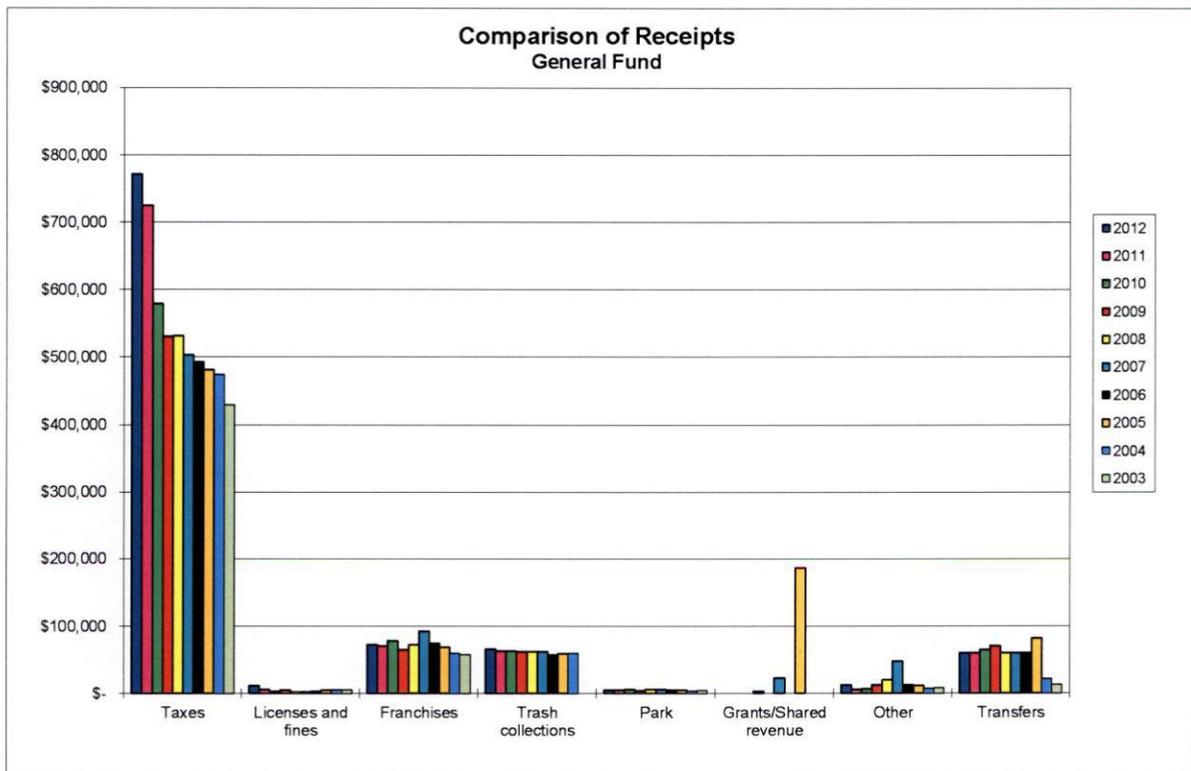
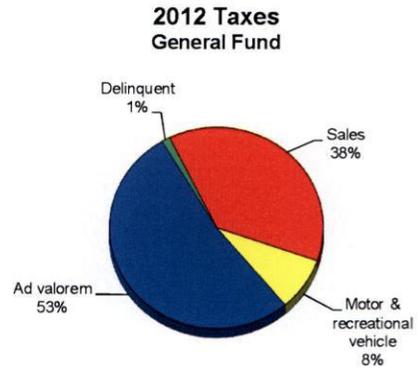
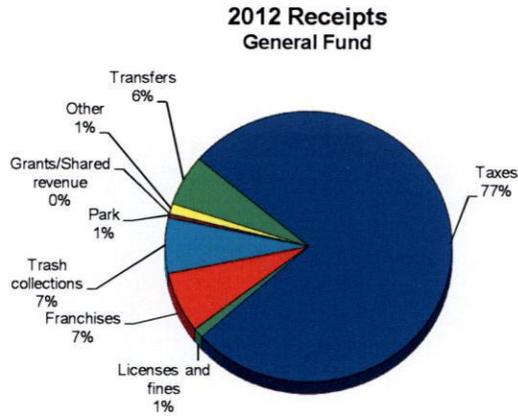
	Prior Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Transfer from General	\$ -	\$ 27,407	\$ 27,407	\$ -
Transfer from Water Utility	10,000	50,000	50,000	-
Temporary note proceeds	908,000	-	-	-
Total receipts	918,000	77,407	\$ 77,407	\$ -
Expenditures:				
Capital outlay	432,830	406,894	\$ 934,405	\$ (527,511)
Temporary note interest	-	16,581	-	16,581
Total expenditures	432,830	423,475	\$ 934,405	\$ (510,930)
Receipts over (under) expenditures	485,170	(346,068)		
Unencumbered cash, beginning	309,704	794,874		
Unencumbered cash, ending	\$ 794,874	\$ 448,806		

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

	Prior Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts:				
Customer deposits	\$ 2,620	\$ 2,600	\$ 4,000	\$ (1,400)
Expenditures:				
Customer deposit refunds	650	478	\$ 34,806	\$ (34,328)
Receipts over expenditures	1,970	2,122		
Unencumbered cash, beginning	29,012	30,982		
Unencumbered cash, ending	\$ 30,982	\$ 33,104		

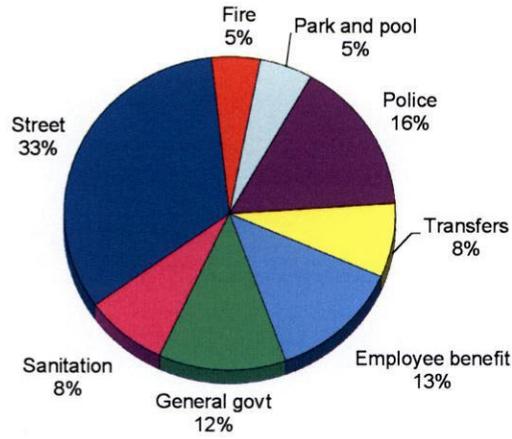
OTHER SUPPLEMENTAL INFORMATION

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

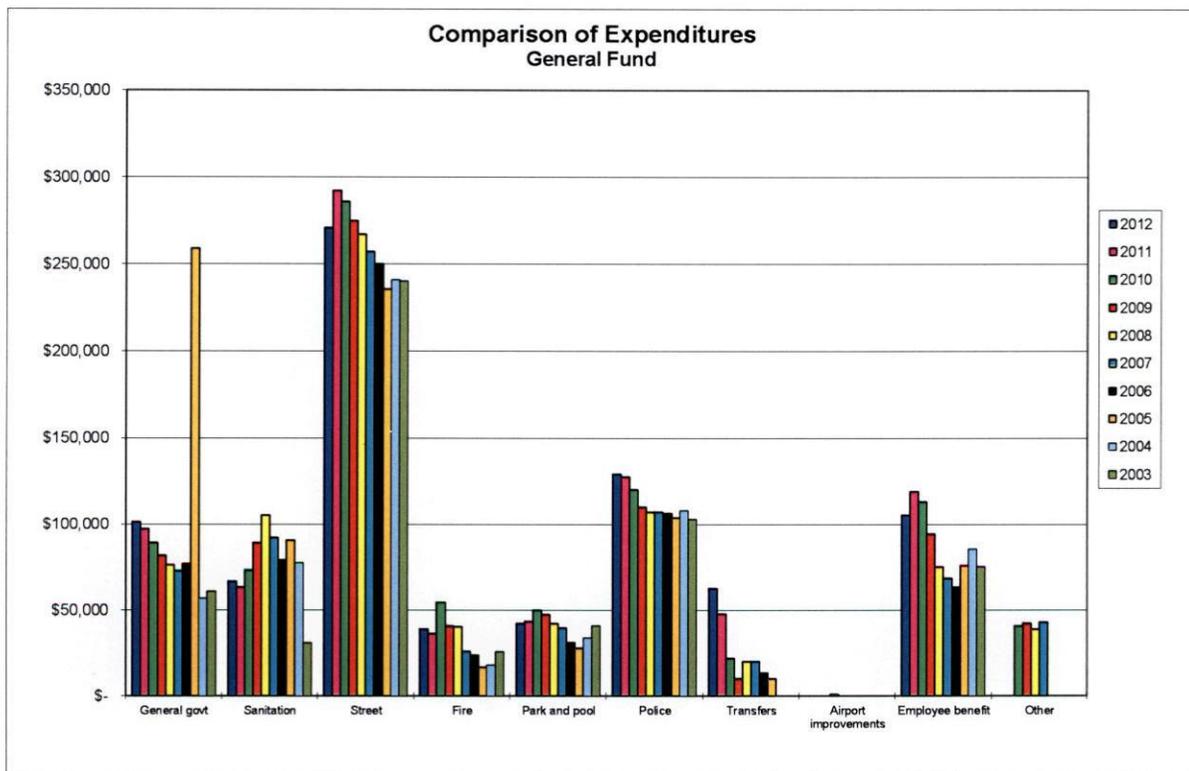


CITY OF SUBLETTE, KANSAS
 Expenditures - General Fund
 Regulatory Basis
 For the Year Ended December 31

2012 Expenditures
 General Fund



Comparison of Expenditures
 General Fund



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

