

CITY OF STERLING, KANSAS
FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2011

**CITY OF STERLING, KANSAS
CITY OF THE SECOND CLASS
For the Year Ended December 31, 2011**

CITY COMMISSION

Todd Rowland
Rod Smith

Bob Booth
Mayor

Donna Marlow
Steve Rivas

CITY OFFICERS

Gayla Horsch
Treasurer

Rod Willis
Manager

Scott Bush
Attorney

Ed Truelove
Police Chief

Sandra Fankhauser
Clerk

Phil Durr
Municipal Judge

CITY OF STERLING, KANSAS

FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

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SWINDOLL
JANZEN
HAWK &
LOYD, LLC

Certified Public Accountants

Celebrating
Our **75th**
Anniversary
1936 - 2011

B. Carver Swindoll, CPA
Keith S. Janzen, CPA
Kyle J. Hawk, CPA, CMAP
D. Scot Loyd, CPA, CGFM
Chet L. Buchman, CPA, CVA

INDEPENDENT AUDITOR'S REPORT

Mayor and City Commissioners
City of Sterling, Kansas 67579

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of the City of Sterling, as of and for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. 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 *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City of Sterling has prepared this financial statement using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, as presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding 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 Sterling as of December 31, 2011, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

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 Sterling as of December 31, 2011, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2012, on our consideration of the City of Sterling'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.

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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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the 2011 financial statement as a whole. The summary of expenditures-actual and budget, individual fund schedules of cash receipts and expenditures-actual and budget, schedule of cash receipts and expenditures-agency funds, schedules of cash receipts and expenditures-actual-component unit (Schedules 1, 2, 3 and 4 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the 2011 financial statement. The accompanying schedule of expenditures of federal awards is presented for the 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 financial statement. Such information is the responsibility of management and the 2011 supplementary information was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statement. The 2011 information has been subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statement or to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2011 financial statement as a whole.

The 2010 Actual columns presented in the individual fund schedules of cash receipts and expenditures-actual and budget, schedules of cash receipts and expenditures-actual-component unit (Schedules 2 and 4 as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2010 financial statement upon which we rendered an unqualified opinion dated April 7, 2011. The 2010 financial statements and our accompany 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://da.ks.gov/ar/muniserv/>. Such 2010 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 2010 financial statement. The 2010 comparative information was subjected to the auditing procedures applied in the audit of the 2010 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2010 financial statement or to the 2010 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 comparative information is fairly stated in all material respects in relation to the 2010 financial statement as a whole.

Swindoll, Janzen, Hawk & Loyd, LLC

Certified Public Accountants

May 2, 2012



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**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**

Mayor and City Commissioners
City of Sterling, Kansas 67579

We have audited the financial statements of the City of Sterling, Kansas and its discretely presented component unit as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 2, 2012. 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 *Kansas Municipal Audit Guide*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sterling's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sterling's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sterling's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, and are listed as reference numbers 11-1 and 11-2. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City, in a separate letter dated May 2, 2012.

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 response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Commissioners, federal awarding agencies, pass-through entities and for filing with the Division of Accounts and Reports and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Swindoll, Janzen, Hawk & Loyd, LLC

Swindoll, Janzen, Hawk, & Loyd, LLC

May 2, 2012



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mayor and City Commissioners
City of Sterling, Kansas 67579

Compliance

We have audited the compliance of City of Sterling, Kansas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Kansas Municipal Audit Guide*. 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 could have a direct and material effect on a major federal program 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Sterling, Kansas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of the City of Sterling, Kansas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 over compliance 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* is a deficiency, or combination of deficiencies, 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.

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

This report is intended solely for the information and use of management, City Commissioners, federal awarding agencies, pass-through entities and for filing with the Division of Accounts and Reports and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Swindoll, Janzen, Hawk & Loyd, LLC

Swindoll, Janzen, Hawk, and Loyd, LLC

May 2, 2012

CITY OF STERLING, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

For the Year Ended December 31, 2011

	Beginning Un-		Expendi-	Ending Un-		Add: Encum- brances and Accounts Payable	Ending Cash Balance
	Cash Balance	Cash Receipts		Cash Balance	tures		
GENERAL FUND	\$ 241,482	\$ 1,128,433	\$ 935,941	\$ 433,974	\$ 8,525	\$ 442,499	
SPECIAL REVENUE FUNDS:							
Library Fund	-	46,053	46,053	-	-	-	
Cemetery Fund	-	46,053	46,053	-	-	-	
Special Highway Fund	265,305	113,052	195,046	183,311	571	183,882	
Special Parks and Recreation Fund	3,661	634	-	4,295	-	4,295	
Ambulance and Fire Equipment Fund	13,811	18,417	12,003	20,225	-	20,225	
Sterling Community Cemetery Fund	191,264	71,107	73,413	188,958	54	189,012	
Total Special Revenue Funds	474,041	295,316	372,568	396,789	625	397,414	
DEBT SERVICE FUND:							
Bond and Interest Fund	11,846	592	10,913	1,525	-	1,525	
CAPITAL PROJECT FUND:							
Storm Sewer Project Fund	2,698	-	-	2,698	-	2,698	
ENTERPRISE FUND:							
Water Utility Fund	18,683	283,834	238,973	63,544	3,520	67,064	
Electric Utility Fund	966,889	2,774,182	3,339,868	401,203	138,226	539,429	
Electric Utility Bond and Interest 2001 Fund	50,891	144,543	144,543	50,891	-	50,891	
Electric Utility Bond Retirement 2001 Fund	144,000	-	-	144,000	-	144,000	
Electric Utility Depreciation Reserve Fund	50,000	-	-	50,000	-	50,000	
Electric Equipment Reserve Fund	-	677,000	555,117	121,883	-	121,883	
Sewer Utility Fund	(98,552)	207,884	276,681	(167,349)	360	(166,989)	
Medical Services Fund	15,214	30,438	28,578	17,074	-	17,074	
Total Enterprise Funds	1,147,125	4,117,881	4,583,760	681,246	142,106	823,352	
COMPONENT UNIT:							
Library Board	26,469	271,971	70,818	227,622	-	227,622	
Total Reporting Entity (Excluding Agency Funds)	\$ 1,903,661	\$ 5,814,193	\$ 5,974,000	\$ 1,743,854	\$ 151,256	\$ 1,895,110	
COMPOSITION OF CASH:							
Checking Accounts						\$ 48,307	
Savings Accounts						1,175,067	
Certificates of Deposit						350,000	
Sterling Community Cemetery						192,751	
Cash on Hand						500	
Component Unit						227,622	
Total Cash						1,994,247	
Less Agency Funds per Schedule 3						(99,137)	
Total Reporting Entity						\$ 1,895,110	

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

CITY OF STERLING, KANSAS

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The City of Sterling is a municipal corporation governed by an elected Commission. The financial statement present the City of Sterling (the primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit. The component unit section includes the financial data of the discretely presented component unit. The component unit is reported separately to emphasize that it is legally separate from the City. The governing body of this component unit is appointed by the City.

Library Board. The Sterling Free Public Library Board operates the City's public library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City. Complete financial records for the Library Board may be reviewed at the administrative offices of the entity at 138 N. Broadway, Sterling, KS, 67579.

(b) Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for separately. Funds are classified into three categories: governmental, proprietary and fiduciary. Within each of these three categories there are one or more fund types. The City uses the following fund types:

Governmental Fund Types

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund - This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources other than special assessments, private purpose trusts or major capital projects that are legally restricted to expenditures for specified purposes.

Debt Service Funds - These funds are established for the purpose of accumulating resources for the payment of interest and principal on long-term general obligation debt other than those payable from Enterprise Funds and Special Assessment Funds.

Capital Project Funds - These funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary and Permanent Funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(b) Basis of Presentation - Fund Accounting (cont.)

Proprietary Fund Types

These funds account for operations that are self-supporting through user charges. The funds included in this category are Enterprise Funds.

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

These funds account for assets held by the City as a trustee or agent for individuals, private organizations and other units of governments. These funds are as follows:

Agency Funds - These funds are used to account for assets received for, held for, and disbursed to individuals, other State and Local Government unit funds or other governmental or private sector organizations.

(c) Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of this statutory basis financial statement, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

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 statutory basis of accounting.

(d) Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable and reservations of fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance, encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statement. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Revenue Funds (unless specifically exempted by statute), Debt Service Funds and Enterprise 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 1.
2. Publication in local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for 2011.

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 statutory 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 budget expenditure authority lapses at year end.

A legal operating budget is not required for Capital Project Funds; the following Special Revenue Fund: the Sterling Community Cemetery Fund; and the following Enterprise Funds: Electric Utility Bond and Interest 2001 Fund, Electric Utility Bond Retirement 2001 Fund, and the Electric Utility Depreciation Reserve Fund.

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

(f) Special Assessments

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Bond and Interest Fund.

(g) Reimbursements

The City of Sterling, Kansas records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons the expenditures (or expenses) are properly offset by the reimbursements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

Contrary to K.S.A. 79-2935, expenditures in the Electric Utility Fund exceeded the lawfully budgeted amount by \$150,023.

A cash-basis violation occurred at December 31, 2011 in the Sewer Utility Fund of \$167,349. A cash basis violation is contrary to K.S.A. 10-1113. A cash-basis violation also occurred in the component unit, Library Board, General Fund at December 31, 2011 of \$14,242.

Warrants/checks outstanding for two years or more are to be canceled and restored to the fund originally charged according to K.S.A. 10-816. According to K.S.A. 58-3935, unclaimed payroll checks are considered unclaimed property after one year. This City had three outstanding checks for more than two years at December 31, 2011.

3. DEPOSITS AND INVESTMENTS

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

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

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$1,766,125 and the bank balance was \$1,916,855. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance and the remaining \$1,416,855 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

4. INTERFUND TRANSFERS

A summary of operating transfers by fund is as follows:

From	To	Statutory Authority	Amount
Electric Utility	General	K.S.A. 12-825d	\$ 115,000
Water Utility	General	K.S.A. 12-825d	14,500
Bond and Interest	General	K.S.A. 12-825d	10,913
Electric Utility	Electric Utility Bond and Interest 2001	K.S.A. 12-825d	144,543
Electric Utility	Electric Equipment Reserve	K.S.A. 12-1, 117	677,000
Total			<u>\$ 961,956</u>

5. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2011, 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>
Revenue Bond:										
Series 2001	6.00% to 7.45%	04-30-01	\$1,440,000	10-01-17	\$ 665,000	\$ -	\$ 95,000	\$ (95,000)	\$ 570,000	\$ 49,543
Other:										
Kansas Public Water Supply Revolving Loan	4.13%	07-31-01	488,176	02-01-23	237,436	-	14,853	(14,853)	222,583	9,657
Kansas Water Pollution Control Revolving Loan	2.79%	08-20-08	1,220,348	09-01-29	1,187,252	-	48,139	(48,139)	1,139,113	32,791
Total Other					1,424,688	-	62,992	(62,992)	1,361,696	42,448
Capital Leases:										
Fire Truck	3.49%	07-07-11	41,256	07-07-11	11,658	-	11,658	(11,658)	-	345
Medical Center Roof/H&A	3.98%	06-30-18	199,290	06-30-18	156,623	-	18,290	(18,290)	138,333	5,902
Total Capital Leases					168,281	-	29,948	(29,948)	138,333	6,247
Due to Other Funds:										
Water Fund due to Electric Fund	4.50%	12-31-13	120,000	12-31-13	56,387	-	-	-	56,387	-
Sewer Fund due to Electric Fund	4.50%	12-31-13	150,000	12-31-13	72,615	-	-	-	72,615	-
Total Due to Other Funds					129,002	-	-	-	129,002	-
Total Contractual Indebtedness					2,386,971	-	187,940	(187,940)	2,199,031	98,238
Compensated Absences:					162,306	22,078	-	22,078	184,384	-
Total Long-Term Debt					\$ 2,549,277	\$ 22,078	\$ 187,940	\$ (165,862)	\$ 2,383,415	\$ 98,238

5. LONG-TERM DEBT (CONT.)

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

	Year								Total
	2012	2013	2014	2015	2016	2017 to 2021	2022 to 2026	2027 to 2030	
PRINCIPAL:									
Revenue Bond: Series 2001	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000	\$ -	\$ -	\$ 570,000
Other:									
Kansas Public Water Supply Revolving Loan	15,475	16,121	16,793	17,494	18,224	103,180	35,296	-	222,583
Kansas Water Pollution Control Revolving Loan	49,492	50,882	52,312	53,782	55,293	300,656	345,331	231,365	1,139,113
Total Other	64,967	67,003	69,105	71,276	73,517	403,836	380,627	231,365	1,361,696
Capital Lease:									
Medical Center Roof/H&A	19,031	19,802	20,605	21,440	22,309	23,214	11,932	-	138,333
Due to Other Funds:									
Water Fund due to Electric Fund	9,463	9,888	10,333	10,798	11,284	4,621	-	-	56,387
Sewer Fund due to Electric Fund	11,732	12,260	12,812	13,389	13,991	8,431	-	-	72,615
Total Due to Other Funds	21,195	22,148	23,145	24,187	25,275	13,052	-	-	129,002
TOTAL PRINCIPAL	200,193	203,953	207,855	211,903	216,101	535,102	392,559	231,365	2,199,031
INTEREST:									
Revenue Bond Series 2001	42,465	35,388	28,310	21,233	14,155	7,078	-	-	148,629
Other:									
Kansas Public Water Supply Revolving Loan Fund	9,035	8,389	7,716	7,015	6,286	19,366	1,468	-	59,275
Kansas Water Pollution Control Revolving Loan	31,438	30,048	28,618	27,149	25,638	103,996	59,321	11,427	317,635
Total Other	40,473	38,437	36,334	34,164	31,924	123,362	60,789	11,427	376,910
Capital Lease:									
Medical Center Roof/H&A	5,161	4,390	3,587	2,752	1,883	978	166	-	18,917
Due to Other Funds:									
Water Fund due to Electric Fund	2,537	2,112	1,667	1,202	716	208	-	-	8,442
Sewer Fund due to Electric Fund	3,288	2,740	2,188	1,611	1,009	379	-	-	11,195
Total Due to Other Funds	5,805	4,852	3,855	2,813	1,725	587	-	-	19,637
TOTAL INTEREST	93,904	83,067	72,086	60,962	49,687	132,005	60,955	11,427	564,093
TOTAL PRINCIPAL AND INTEREST	\$ 294,097	\$ 287,020	\$ 279,941	\$ 272,865	\$ 265,788	\$ 667,107	\$ 453,514	\$ 242,792	\$2,763,124

5. LONG-TERM DEBT (CONT.)

Electric System Covenants

During the year ended December 31, 2001, the City issued Electric Utility System Revenue Bonds in the amount of \$1,440,000. The bonds were issued for the purpose of providing funds to pay for costs of acquiring, constructing, reconstructing, altering, repairing, improving, extending or enlarging the electric utility systems of the City.

In connection with the 2001 bond issue the City has made certain covenants and agreements to provide for the payment and security thereof. Under the terms of Resolution No. 621, the City is required to meet certain requirements for "Net Revenues", rate covenants, tax covenants, bond reserve accounts, system reserve accounts and bond and interest payment accounts.

For the year ended December 31, 2011 the Electric System had a debt service coverage ratio, as computed under the bond resolutions, of 6.34. The debt service covenant has been met as the debt service coverage ratio exceeded the requirement of 1.25.

The following schedule presents the computation of the debt service coverage ratio in accordance with the resolution.

<u>Electric Utility Fund</u>		
Total revenues per report		\$ 2,774,182
Total expenditures per report	\$ 3,339,868	
Less administrative expenditures per report	<u>(1,437,741)</u>	<u>1,902,127</u>
Net revenues		<u>\$ 872,055</u>
Debt service requirements for 2001 bond issue		<u>\$ 137,465</u>
Debt service coverage ratio		<u>6.34</u>

Under the terms of Resolution No. 621, the City is required to provide reasonable and adequate reserves for the payment of the principal and interest due on the bonds. The City shall transfer monthly proportionate amounts to accumulate the next maturing principal and interest payments one month prior to payment. Proper transfers have been made for 2011. The City is to transfer all excess funds of the utility system to the surplus account. Funds in this account may be used to pay for the operation and maintenance of the system, system improvement, principal and interest payments, calling bonds, and transfers to the operating account. The balance in the Electric Utility Bond Retirement 2001 Fund at December 31, 2011, was \$144,000, the balance in the Electric Utility Bond and Interest 2001 Fund at December 31, 2011, was \$50,891, and the balance in the Electric Utility Depreciation Reserve Fund at December 31, 2011, was \$50,000.

The City shall levy the necessary taxes to pay the principal and interest maturing on the bonds if the revenue of the system is insufficient to make the payments as they are due. The City cannot mortgage or sell system assets unless certain restrictions are met and approved. The City will carry and maintain a reasonable amount of risk insurance as would be carried by a private company and maintain general liability insurance in an amount not less than the maximum liability of a governmental entity. The Electric System is insured with Employers Mutual through First Group Insurance of Sterling, Kansas.

Electric Utility customers number 1,181 at January 1, 2011 and 1,189 at December 31, 2011.

6. PENSION COSTS AND EMPLOYEE BENEFITS

(a) *Defined Benefit Pension Plan*

Plan Description. The City contributes 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. Those reports may be obtained by writing to KPERs (611 S. Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary. 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 was funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERs employer rate established for calendar year 2011 is 7.74%. (Included in this rate is the contribution for Group Death and Disability Insurance of 1.0% from April 1, 2011 through June 30, 2011). The City employer contributions to KPERs for the years ending December 31, 2011, 2010, and 2009, were \$80,800, \$69,202, and \$54,941, respectively, equal to the statutory required contributions for each year as set forth by the legislature.

(b) *Defined Contribution Pension Plan*

The City participates in a defined contribution plan administered by the International City Manager's Association Retirement Corporation (ICMA Retirement). Employees become eligible for participation in the plan upon hire. The City contributes 1% of the participants' base wage and the participants may contribute any amount they determine. For the year ended December 31, 2011, actual contributions by the City and plan participants were \$11,309 and \$16,403 respectively. ICMA Retirement includes 21 participants. Participants vest at service inception and are entitled to 100 percent of vested contributions. The plan is a money purchase plan qualified under Section 457 of the Internal Revenue Code.

(c) *Other Employee Benefits*

Vacation - Vacation time shall be earned on the basis of complete calendar months of service. Accrual of vacation shall start from the original date of employment and may be used within the first year. Vacation may not be used for any periods spent on unauthorized leave. Employees should make every effort to take their vacation in the calendar year in which it was earned. The City Manager at his discretion may allow vacation leave to be carried over from one calendar year to the next.

Each regular full-time employee will earn vacation leave as follows:

<u>Years of Service</u>	<u>Per Year</u>	<u>Maximum Accumulation</u>
Start through 9 years	80 hours	None
10 years and beyond	120 hours	None

Regular part-time employees earn vacation leave as follows:

<u>Years of Service</u>	<u>Per Year</u>	<u>Maximum Accumulation</u>
Start through 9 years	40 hours	None
10 years and beyond	80 hours	None

6. PENSION COSTS AND EMPLOYEE BENEFITS (CONT.)

(c) Other Employee Benefits (cont.)

Upon separation of employment, employees shall be compensated for all earned but unused vacation leave at their final rate of pay, provided the employee has been employed with the City for at least twelve consecutive months.

Sick leave - All regular full time employees shall accrue sick leave at a rate of eight hours for each complete calendar month they are on paid status. Regular part-time employees shall accrue sick leave at a rate of four hours for each complete calendar month they are on paid status.

Accumulation of sick leave - Employees may accrue sick leave up to a maximum of seventy-five working days. Upon separation of employment, employees shall be compensated for one fourth (1/4) of accrued and unused sick leave at their final rate of pay, provided the employee has been employed with the City of Sterling for at least twelve consecutive months.

Compensation - Compensation time for authorized overtime work shall be at a rate of one and one-half time the employee's rate of pay. Employees shall be entitled to receive overtime compensation for all hours worked in excess of forty hours per week. Vacation, sick leave, personal days and holidays are generally counted as hours worked when computing overtime. However, no person employed in an administrative, executive or professional position, shall be eligible for overtime compensation.

(d) 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 of premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government 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 government under this program.

7. 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 May 2, 2012 expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

The City is exposed to various risks of loss related to property loss; torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and natural disasters. The City has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2010 to 2011 and there were no settlements that exceeded insurance coverage in the past three years.

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.

8. RELATED PARTY

One of the Commission's member is an officer of one of the financial institutions where the City has funds deposited. At December 31, 2011, funds deposited at this institution totaled \$309,164.

9. CAPITAL PROJECTS

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

	Cash Disbursements and Accounts Payable <u>To Date</u>	Project <u>Authorization</u>
Sewer Lagoon Project-KDHE loan	\$ 1,077,807	\$ 1,509,145
Sewer Lagoon Project-CDBG	344,837	400,000
FEMA-Distribution Line Reconductoring	<u>1,009,036</u>	<u>1,105,840</u>
Total	<u>\$ 2,431,680</u>	<u>\$ 3,014,985</u>

10. SUBSEQUENT EVENTS

Management has evaluated the effects of the financial statement of subsequent events occurring through May 2, 2012 which is the date at which the financial statement was available to be issued.

CITY OF STERLING, KANSAS
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011

CITY OF STERLING, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(Budgeted Funds Only)
For the Year Ended December 31, 2011

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
GENERAL FUND	\$ 1,166,340	\$ -	\$ 1,166,340	\$ 935,941	\$ 230,399
SPECIAL REVENUE FUNDS:					
Library Fund	51,457	-	51,457	46,053	5,404
Cemetery Fund	52,389	-	52,389	46,053	6,336
Special Highway Fund	331,159	-	331,159	195,046	136,113
Special Parks and Recreation Fund	4,370	-	4,370	-	4,370
Ambulance and Fire Equipment Fund	25,194	-	25,194	12,003	13,191
Total Special Revenue Funds	<u>464,569</u>	<u>-</u>	<u>464,569</u>	<u>299,155</u>	<u>165,414</u>
DEBT SERVICE FUND:					
Bond and Interest Fund	<u>10,913</u>	<u>-</u>	<u>10,913</u>	<u>10,913</u>	<u>-</u>
ENTERPRISE FUND:					
Water Utility Fund	265,515	-	265,515	238,973	26,542
Electric Utility Fund	2,998,539	191,306	3,189,845	3,339,868	(150,023)
Electric Equipment Reserve Fund	677,000	-	677,000	555,117	121,883
Sewer Utility Fund	279,833	-	279,833	276,681	3,152
Medical Services Fund	43,445	-	43,445	28,578	14,867
Total Enterprise Funds	<u>4,264,332</u>	<u>191,306</u>	<u>4,455,638</u>	<u>4,439,217</u>	<u>16,421</u>
Total Primary Government	<u>\$ 5,906,154</u>	<u>\$ 191,306</u>	<u>\$ 6,097,460</u>	<u>\$ 5,685,226</u>	<u>\$ 412,234</u>

CITY OF STERLING, KANSAS
GENERAL FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2011
(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes -				
Ad valorem property tax	\$ 229,495	\$ 231,413	\$ 255,633	\$ (24,220)
Back tax collections	6,991	12,763	-	12,763
Motor vehicle tax	22,034	47,930	58,297	(10,367)
Recreational vehicle tax	462	1,015	1,183	(168)
16/20M vehicle tax	611	295	688	(393)
Liquor control tax	683	634	540	94
Local sales tax	377,252	406,459	320,000	86,459
In lieu of tax	2,135	1,793	1,500	293
Total Taxes	<u>639,663</u>	<u>702,302</u>	<u>637,841</u>	<u>64,461</u>
Intergovernmental Revenues -				
State connecting links	<u>8,766</u>	<u>8,742</u>	<u>8,700</u>	<u>42</u>
Licenses and Permits -				
Utility franchise taxes	74,067	65,619	74,000	(8,381)
Dog and cat tags	1,163	789	-	789
Licenses and permits	<u>8,167</u>	<u>2,803</u>	<u>1,700</u>	<u>1,103</u>
Total Licenses and Permits	<u>83,397</u>	<u>69,211</u>	<u>75,700</u>	<u>(6,489)</u>
Charges for Services -				
Burn site	17,514	10,706	17,350	(6,644)
Camping	6,164	5,516	6,200	(684)
Impoundment	2,682	944	2,700	(1,756)
Refuse collection	89,608	90,586	8,550	82,036
Swimming and concessions	<u>11,598</u>	<u>13,231</u>	<u>11,500</u>	<u>1,731</u>
Total Charges for Services	<u>127,566</u>	<u>120,983</u>	<u>46,300</u>	<u>74,683</u>
Fines, Forfeitures and Penalties -				
Police fines	<u>27,585</u>	<u>15,117</u>	<u>25,000</u>	<u>(9,883)</u>
Use of Money and Property -				
Interest income	<u>14,103</u>	<u>7,859</u>	<u>19,500</u>	<u>(11,641)</u>
Other Income -				
Insurance reimbursement	12,710	1,344	-	1,344
Veteran's War Memorial	-	22,119	-	22,119
Transportation Enhancement grant	65,381	-	-	-
Federal police grant	1,491	831	-	831
Miscellaneous	<u>14,593</u>	<u>39,512</u>	<u>8,000</u>	<u>31,512</u>
Total Other Income	<u>94,175</u>	<u>63,806</u>	<u>8,000</u>	<u>55,806</u>

See Independent Auditor's Report.

CITY OF STERLING, KANSAS

GENERAL FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts (cont.)				
Operating Transfers -				
Transfer from Electric Utility Fund	\$ 115,000	\$ 115,000	\$ 115,000	\$ -
Transfer from Water Utility Fund	14,500	14,500	14,500	-
Transfer from Bond and Interest Fund	-	10,913	10,913	-
Total Operating Transfers	129,500	140,413	140,413	-
Total Cash Receipts	1,124,755	1,128,433	\$ 961,454	\$ 166,979
Expenditures				
General Administrative -				
Personal services	74,998	63,484	\$ 63,360	\$ (124)
Contractual services	131,375	137,222	44,800	(92,422)
Commodities	3,205	2,726	5,500	2,774
Capital outlay	96,904	24,283	59,800	35,517
Library building maintenance	-	-	17,896	17,896
Neighborhood revitalization rebate	-	-	16,339	16,339
Total General Administrative	306,482	227,715	207,695	(20,020)
Police -				
Personal services	319,519	338,964	337,100	(1,864)
Contractual services	56,207	57,216	59,400	2,184
Commodities	15,715	19,646	19,900	254
Capital outlay	39,779	13,587	16,208	2,621
Total Police	431,220	429,413	432,608	3,195
Fire -				
Personal services	5,946	5,165	5,400	235
Contractual services	6,464	10,927	9,500	(1,427)
Commodities	912	1,343	3,250	1,907
Capital outlay	16,187	5,456	5,000	(456)
Total Fire	29,509	22,891	23,150	259
Health & Sanitation -				
Personal services	81	10,081	3,250	(6,831)
Contractual services	60	-	250	250
Commodities	5,760	3,447	2,750	(697)
Total Health & Sanitation	5,901	13,528	6,250	(7,278)

See Independent Auditor's Report.

CITY OF STERLING, KANSAS

GENERAL FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Expenditures (cont.)				
Street -				
Personal services	\$ 86,873	\$ 103,565	\$ 127,854	\$ 24,289
Contractual services	9,056	19,962	104,000	84,038
Commodities	34,162	35,553	99,000	63,447
Capital outlay	1,259	-	-	-
Total Street	<u>131,350</u>	<u>159,080</u>	<u>330,854</u>	<u>171,774</u>
Park -				
Contractual services	7,372	7,152	4,000	(3,152)
Commodities	6,094	7,409	13,500	6,091
Capital outlay	1,000	-	10,000	10,000
Total Park	<u>14,466</u>	<u>14,561</u>	<u>27,500</u>	<u>12,939</u>
Swimming Pool -				
Personal services	31,241	34,612	30,100	(4,512)
Contractual services	1,267	4,648	3,300	(1,348)
Commodities	29,390	14,501	16,500	1,999
Capital outlay	17,277	14,992	11,900	(3,092)
Total Swimming Pool	<u>79,175</u>	<u>68,753</u>	<u>61,800</u>	<u>(6,953)</u>
Equipment	-	-	17,933	17,933
Capital improvement	-	-	58,550	58,550
Total Expenditures	<u>998,103</u>	<u>935,941</u>	<u>\$ 1,166,340</u>	<u>\$ 230,399</u>
Receipts Over (Under) Expenditures	126,652	192,492		
Unencumbered Cash, Beginning	<u>114,830</u>	<u>241,482</u>		
Unencumbered Cash, Ending	<u>\$ 241,482</u>	<u>\$ 433,974</u>		

CITY OF STERLING, KANSAS

SPECIAL REVENUE FUNDLIBRARY FUNDSCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Ad valorem property tax	\$ 35,234	\$ 35,742	\$ 39,480	\$ (3,738)
Back tax collections	1,563	2,303	-	2,303
Motor vehicle tax	8,305	7,723	8,947	(1,224)
Recreational vehicle tax	179	168	181	(13)
16/20M vehicle tax	97	117	105	12
Total Cash Receipts	<u>45,378</u>	<u>46,053</u>	<u>\$ 48,713</u>	<u>\$ (2,660)</u>
Expenditures				
Appropriation to Library Board	47,056	46,053	\$ 48,015	\$ 1,962
Neighborhood revitalization rebate	-	-	3,442	3,442
Total Expenditures	<u>47,056</u>	<u>46,053</u>	<u>\$ 51,457</u>	<u>\$ 5,404</u>
Receipts Over (Under) Expenditures	(1,678)	-		
Unencumbered Cash, Beginning	<u>1,678</u>	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

CITY OF STERLING, KANSAS

SPECIAL REVENUE FUNDCEMETERY FUNDSCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Ad valorem property tax	\$ 35,234	\$ 35,742	\$ 39,480	\$ (3,738)
Back tax collections	1,565	2,303	-	2,303
Motor vehicle tax	8,305	7,723	8,947	(1,224)
Recreational vehicle tax	180	168	181	(13)
16/20M vehicle tax	97	117	105	12
Total Cash Receipts	<u>45,381</u>	<u>46,053</u>	<u>\$ 48,713</u>	<u>\$ (2,660)</u>
Expenditures				
Appropriation to Sterling Community Cemetery	47,057	46,053	\$ 49,521	\$ 3,468
Neighborhood revitalization rebate	-	-	2,868	2,868
Total Expenditures	<u>47,057</u>	<u>46,053</u>	<u>\$ 52,389</u>	<u>\$ 6,336</u>
Receipts Over (Under) Expenditures	(1,676)	-		
Unencumbered Cash, Beginning	<u>1,676</u>	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

CITY OF STERLING, KANSAS

SPECIAL REVENUE FUNDSPECIAL HIGHWAY FUNDSCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Ad valorem property tax	\$ 38,330	\$ 33,676	\$ 37,200	\$ (3,524)
Back tax collections	4,155	4,217	-	4,217
Motor vehicle tax	41,513	10,828	9,715	1,113
Recreational vehicle tax	916	263	197	66
16/20M vehicle tax	23	608	114	494
Transportation Enhancement grant	4,010	-	-	-
State of Kansas - fuel tax	<u>68,097</u>	<u>63,460</u>	<u>69,680</u>	<u>(6,220)</u>
Total Cash Receipts	<u>157,044</u>	<u>113,052</u>	<u>\$ 116,906</u>	<u>\$ (3,854)</u>
Expenditures				
Contractual services	43,240	136,232	\$ 156,640	\$ 20,408
Commodities	33,950	49,747	122,000	72,253
Capital outlay	154,940	9,067	50,000	40,933
Neighborhood revitalization rebate	-	-	2,519	2,519
Total Expenditures	<u>232,130</u>	<u>195,046</u>	<u>\$ 331,159</u>	<u>\$ 136,113</u>
Receipts Over (Under) Expenditures	(75,086)	(81,994)		
Unencumbered Cash, Beginning	<u>340,391</u>	<u>265,305</u>		
Unencumbered Cash, Ending	<u>\$ 265,305</u>	<u>\$ 183,311</u>		

CITY OF STERLING, KANSAS

SPECIAL REVENUE FUND

SPECIAL PARKS AND RECREATION FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State of Kansas - liquor tax	\$ 683	\$ 634	\$ 570	\$ 64
Expenditures				
Capital outlay	-	-	\$ 4,370	\$ 4,370
Receipts Over (Under) Expenditures	683	634		
Unencumbered Cash, Beginning	2,978	3,661		
Unencumbered Cash, Ending	\$ 3,661	\$ 4,295		

CITY OF STERLING, KANSAS

SPECIAL REVENUE FUNDAMBULANCE AND FIRE EQUIPMENT FUNDSCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Ad valorem property tax	\$ 14,095	\$ 14,293	\$ 15,792	\$ (1,499)
Back tax collections	626	921	-	921
Motor vehicle tax	3,322	3,089	3,579	(490)
Recreational vehicle tax	72	67	73	(6)
16/20M vehicle tax	39	47	42	5
Total Cash Receipts	<u>18,154</u>	<u>18,417</u>	<u>\$ 19,486</u>	<u>\$ (1,069)</u>
Expenditures				
Capital outlay	-	-	\$ 9,227	\$ 9,227
Lease payment	16,000	12,003	14,820	2,817
Neighborhood revitalization rebate	-	-	1,147	1,147
Total Expenditures	<u>16,000</u>	<u>12,003</u>	<u>\$ 25,194</u>	<u>\$ 13,191</u>
Receipts Over (Under) Expenditures	2,154	6,414		
Unencumbered Cash, Beginning	<u>11,657</u>	<u>13,811</u>		
Unencumbered Cash, Ending	<u>\$ 13,811</u>	<u>\$ 20,225</u>		

CITY OF STERLING, KANSAS

SPECIAL REVENUE FUND

STERLING COMMUNITY CEMETERY FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2011		
	General Fund Actual	Stevenson Fund Actual	Perpetual Care Actual
Cash Receipts			
Taxes	\$ 47,410	\$ -	\$ -
Charges for service	7,920	-	-
Interest	3,521	-	-
Sale of lots	1,272	-	2,800
FEMA reimbursement	170	-	-
Township distribution	8,000	-	-
Total Cash Receipts	<u>68,293</u>	<u>-</u>	<u>2,800</u>
Expenditures			
Personal services	68,252	-	-
Contractual services	2,997	-	-
Commodities	2,164	-	-
Capital outlay	-	-	-
Total Expenditures	<u>73,413</u>	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	(5,120)	-	2,800
Unencumbered Cash, Beginning	<u>40,561</u>	<u>59,700</u>	<u>86,040</u>
Unencumbered Cash, Ending	<u>\$ 35,441</u>	<u>\$ 59,700</u>	<u>\$ 88,840</u>

CITY OF STERLING, KANSAS

SPECIAL REVENUE FUND

STERLING COMMUNITY CEMETERY FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2011				
	Mausoleum Trust Funds			Total Cemetery Actual	2010 Actual
	Mincer Actual	Manz Actual	Mead Actual		
Cash Receipts					
Taxes	\$ -	\$ -	\$ -	\$ 47,410	\$ 45,702
Charges for service	-	-	-	7,920	9,505
Interest	7	5	2	3,535	4,186
Sale of lots	-	-	-	4,072	8,744
FEMA reimbursement	-	-	-	170	445
Township distribution	-	-	-	8,000	4,000
Total Cash Receipts	<u>7</u>	<u>5</u>	<u>2</u>	<u>71,107</u>	<u>72,582</u>
Expenditures					
Personal services	-	-	-	68,252	71,663
Contractual services	-	-	-	2,997	5,647
Commodities	-	-	-	2,164	3,777
Capital outlay	-	-	-	-	13,129
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,413</u>	<u>94,216</u>
Receipts Over (Under) Expenditures	7	5	2	(2,306)	(21,634)
Unencumbered Cash, Beginning	<u>2,451</u>	<u>1,701</u>	<u>811</u>	<u>191,264</u>	<u>212,898</u>
Unencumbered Cash, Ending	<u>\$ 2,458</u>	<u>\$ 1,706</u>	<u>\$ 813</u>	<u>\$ 188,958</u>	<u>\$ 191,264</u>

CITY OF STERLING, KANSAS

DEBT SERVICE FUND

BOND AND INTEREST FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Back tax collections	\$ 892	\$ 592	\$ -	\$ 592
Motor vehicle tax	341	-	-	-
Recreational vehicle tax	3	-	-	-
16/20M vehicle tax	109	-	-	-
Total Cash Receipts	1,345	592	\$ -	\$ 592
Expenditures				
Transfer to General Fund	-	10,913	\$ 10,913	\$ -
Receipts Over (Under) Expenditures	1,345	(10,321)		
Unencumbered Cash, Beginning	10,501	11,846		
Unencumbered Cash, Ending	\$ 11,846	\$ 1,525		

CITY OF STERLING, KANSAS

CAPITAL PROJECT FUND

STORM SEWER PROJECT FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	<u>2010 Actual</u>	<u>2011 Actual</u>
Cash Receipts	\$ -	\$ -
Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>2,698</u>	<u>2,698</u>
Unencumbered Cash, Ending	<u>\$ 2,698</u>	<u>\$ 2,698</u>

CITY OF STERLING, KANSAS

ENTERPRISE FUND

WATER UTILITY FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Sale to customers	\$ 266,553	\$ 274,693	\$ 260,000	\$ 14,693
Tank water sales	364	769	-	769
Connection fees	2,680	2,765	-	2,765
New service	-	609	-	609
Tower rent	3,960	3,960	-	3,960
Miscellaneous	444	1,038	6,800	(5,762)
Total Cash Receipts	274,001	283,834	\$ 266,800	\$ 17,034
Expenditures				
Production -				
Contractual services	4,251	2,580	\$ 13,500	\$ 10,920
Commodities	6,007	6,746	7,600	854
Total Production	10,258	9,326	21,100	11,774
Distribution -				
Personal services	69,360	83,949	86,515	2,566
Contractual services	3,293	6,561	5,800	(761)
Commodities	24,497	31,131	25,500	(5,631)
Capital outlay	5,342	-	-	-
Total Distribution	102,492	121,641	117,815	(3,826)
General and Administrative -				
Personal services	41,634	44,619	47,600	2,981
Contractual services	11,132	19,346	62,500	43,154
Commodities	2,276	1,682	2,000	318
Capital outlay	1,274	-	-	-
Revolving loan principal	38,036	14,853	-	(14,853)
Revolving loan interest	11,006	9,657	-	(9,657)
Miscellaneous	1,510	3,349	-	(3,349)
Total General and Administrative	106,868	93,506	112,100	18,594
Transfer to General Fund	14,500	14,500	14,500	-
Total Expenditures	234,118	238,973	\$ 265,515	\$ 26,542
Receipts Over (Under) Expenditures	39,883	44,861		
Unencumbered Cash, Beginning	(21,200)	18,683		
Unencumbered Cash, Ending	\$ 18,683	\$ 63,544		

See Independent Auditor's Report.

CITY OF STERLING, KANSAS

ENTERPRISE FUNDELECTRIC UTILITY FUNDSCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Sale to customers	\$ 2,510,732	\$ 2,287,547	\$ 2,300,000	\$ (12,453)
Capacity purchase reserve	171,508	179,909	156,600	23,309
Connection fees	3,030	3,090	-	3,090
FEMA reimbursement	353,261	191,306	-	191,306
Kansas Power Pool and miscellaneous	66,929	112,330	5,700	106,630
Total Cash Receipts	3,105,460	2,774,182	\$ 2,462,300	\$ 311,882
Expenditures				
Production -				
Personal services	139,045	156,027	\$ 126,193	\$ (29,834)
Contractual services	1,306,538	1,298,224	1,280,500	(17,724)
Commodities	37,160	49,884	55,250	5,366
Capital outlay	43,376	30,256	33,100	2,844
Total Production	1,526,119	1,534,391	1,495,043	(39,348)
Distribution -				
Personal services	224,737	236,182	220,931	(15,251)
Contractual services	18,107	35,352	39,700	4,348
Commodities	81,396	49,091	67,750	18,659
Capital outlay	36,097	47,111	55,000	7,889
Total Distribution	360,337	367,736	383,381	15,645
General and Administrative -				
Personal services	236,294	259,999	318,646	58,647
Contractual services	139,159	163,599	115,600	(47,999)
Commodities	7,672	7,481	8,500	1,019
Capital outlay	13,481	11,870	251,325	239,455
Payment to Main Street	20,000	20,000	20,000	-
Payment to Chamber/fireworks	-	5,000	5,000	-
FEMA reconductoring project	600,482	32,546	-	(32,546)
Miscellaneous	908	703	41,500	40,797
Total General and Administrative	1,017,996	501,198	760,571	259,373

CITY OF STERLING, KANSAS

ENTERPRISE FUND

ELECTRIC UTILITY FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Expenditures (cont.)				
Operating Transfers -				
Transfer to General Fund	\$ 115,000	\$ 115,000	\$ 115,000	\$ -
Transfer to Electric Equipment Reserve Fund	-	677,000	100,000	(577,000)
Transfer to Electric Utility Bond and Interest 2001 Fund	<u>151,623</u>	<u>144,543</u>	<u>144,544</u>	<u>1</u>
Total Operating Transfers	<u>266,623</u>	<u>936,543</u>	<u>359,544</u>	<u>(576,999)</u>
Adjustment for Qualifying Budget Credits	<u>-</u>	<u>-</u>	<u>191,306</u>	<u>191,306</u>
Total Expenditures	<u>3,171,075</u>	<u>3,339,868</u>	<u>\$ 3,189,845</u>	<u>\$ (150,023)</u>
Receipts Over (Under) Expenditures	(65,615)	(565,686)		
Unencumbered Cash, Beginning	<u>1,032,504</u>	<u>966,889</u>		
Unencumbered Cash, Ending	<u>\$ 966,889</u>	<u>\$ 401,203</u>		

CITY OF STERLING, KANSAS

ENTERPRISE FUND

ELECTRIC UTILITY BOND AND INTEREST 2001 FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	<u>2010 Actual</u>	<u>2011 Actual</u>
Cash Receipts		
Transfer from Electric Utility Fund	\$ 151,623	\$ 144,543
Expenditures		
Principal	95,000	95,000
Interest	<u>56,623</u>	<u>49,543</u>
Total Expenditures	<u>151,623</u>	<u>144,543</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>50,891</u>	<u>50,891</u>
Unencumbered Cash, Ending	<u>\$ 50,891</u>	<u>\$ 50,891</u>

CITY OF STERLING, KANSAS

ENTERPRISE FUND

ELECTRIC UTILITY BOND RETIREMENT 2001 FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	<u>2010</u> <u>Actual</u>	<u>2011</u> <u>Actual</u>
Cash Receipts	\$ -	\$ -
Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>144,000</u>	<u>144,000</u>
Unencumbered Cash, Ending	<u>\$ 144,000</u>	<u>\$ 144,000</u>

CITY OF STERLING, KANSAS

ENTERPRISE FUND

ELECTRIC UTILITY DEPRECIATION RESERVE FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	<u>2010 Actual</u>	<u>2011 Actual</u>
Cash Receipts	\$ -	\$ -
Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>50,000</u>	<u>50,000</u>
Unencumbered Cash, Ending	<u>\$ 50,000</u>	<u>\$ 50,000</u>

CITY OF STERLING, KANSAS

ENTERPRISE FUND

ELECTRIC EQUIPMENT RESERVE FUND

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Transfer from Electric Utility Fund	\$ -	\$ 677,000	\$ 100,000	\$ 577,000
Expenditures				
Commodities	-	145,599	-	\$ (145,599)
Capital outlay	-	33,510	677,000	643,490
FEMA reconductoring project	-	376,008	-	(376,008)
Total Expenditures	-	555,117	\$ 677,000	\$ 121,883
Receipts Over (Under) Expenditures	-	121,883		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ 121,883		

CITY OF STERLING, KANSAS

ENTERPRISE FUNDSEWER UTILITY FUNDSCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2010 Actual	2011		Variance - Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 211,739	\$ 207,569	\$ 205,000	\$ 2,569
State of Kansas wastewater loan proceeds	291,684	-	-	-
Miscellaneous	602	315	-	315
Total Cash Receipts	<u>504,025</u>	<u>207,884</u>	<u>\$ 205,000</u>	<u>\$ 2,884</u>
Expenditures				
Collection -				
Contractual services	10,539	11,626	\$ 13,000	\$ 1,374
Commodities	<u>4,527</u>	<u>2,014</u>	<u>7,500</u>	<u>5,486</u>
Total Collection	<u>15,066</u>	<u>13,640</u>	<u>20,500</u>	<u>6,860</u>
Treatment -				
Personal services	97,355	86,536	87,050	514
Contractual services	12,599	13,477	14,600	1,123
Commodities	<u>2,433</u>	<u>3,114</u>	<u>2,000</u>	<u>(1,114)</u>
Total Treatment	<u>112,387</u>	<u>103,127</u>	<u>103,650</u>	<u>523</u>
General and Administrative -				
Personal services	75,099	44,710	47,600	2,890
Contractual services	8,358	8,979	40,169	31,190
Commodities	1,380	437	1,000	563
Capital outlay	31,203	-	-	-
Revolving loan payment	66,914	80,930	66,914	(14,016)
Sewer lagoon project	<u>275,064</u>	<u>24,858</u>	<u>-</u>	<u>(24,858)</u>
Total General and Administrative	<u>458,018</u>	<u>159,914</u>	<u>155,683</u>	<u>(4,231)</u>
Total Expenditures	<u>585,471</u>	<u>276,681</u>	<u>\$ 279,833</u>	<u>\$ 3,152</u>
Receipts Over (Under) Expenditures	(81,446)	(68,797)		
Unencumbered Cash, Beginning	<u>(17,106)</u>	<u>(98,552)</u>		
Unencumbered Cash, Ending	<u>\$ (98,552)</u>	<u>\$ (167,349)</u>		

CITY OF STERLING, KANSAS

ENTERPRISE FUNDMEDICAL SERVICES FUNDSCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	<u>2010 Actual</u>	<u>2011</u>		<u>Variance - Favorable (Unfavorable)</u>
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Rent	\$ 31,296	\$ 30,438	\$ 31,896	\$ (1,458)
Expenditures				
Contractual services	47,160	4,386	\$ 19,253	\$ 14,867
Lease purchase payment	<u>24,192</u>	<u>24,192</u>	<u>24,192</u>	<u>-</u>
Total Expenditures	<u>71,352</u>	<u>28,578</u>	<u>\$ 43,445</u>	<u>\$ 14,867</u>
Receipts Over (Under) Expenditures	(40,056)	1,860		
Unencumbered Cash, Beginning	<u>55,270</u>	<u>15,214</u>		
Unencumbered Cash, Ending	<u>\$ 15,214</u>	<u>\$ 17,074</u>		

CITY OF STERLING, KANSAS

AGENCY FUNDSSCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS

For the Year Ended December 31, 2011

<u>Funds</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
State cost analysis	\$ 65,603	\$ -	\$ -	\$ 65,603
Water utility deposits	4,014	3,000	1,450	5,564
Electric utility deposits	16,336	14,630	9,321	21,645
CDBG Studio 96	-	235,141	235,141	-
CDBG escrow	2,550	7	-	2,557
Municipal court	1,929	-	-	1,929
Court alcohol & drug	224	-	-	224
D.A.R.E.	1,395	-	-	1,395
Police forfeiture	116	104	-	220
 Total Agency Funds	 <u>\$ 92,167</u>	 <u>\$ 252,882</u>	 <u>\$ 245,912</u>	 <u>\$ 99,137</u>

CITY OF STERLING, KANSAS

COMPONENT UNIT

LIBRARY BOARD

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	<u>2011</u>		
	<u>General</u>	<u>CKLS</u>	<u>State Aid</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
Cash Receipts			
Taxes, City of Sterling	\$ 47,410	\$ -	\$ -
Grant	-	9,360	-
State aid	-	-	1,246
Fines	2,248	-	-
Lost and damaged items	129	-	-
Memorials and gifts	1,672	-	-
Miscellaneous	2,478	-	-
Book and record sales	260	-	-
Interest	336	-	-
Copies and taxes	547	-	-
Reimbursements	-	-	-
Operating transfer in	-	-	-
Total Cash Receipts	<u>55,080</u>	<u>9,360</u>	<u>1,246</u>
Expenditures and Transfers			
Salaries	33,351	-	-
Payroll taxes	2,551	-	-
Retirement	1,684	-	-
Work study	2,930	-	-
Utilities	2,119	-	-
Maintenance	408	-	-
Audit	1,753	-	-
Supplies	1,980	-	-
Magazines and newspapers	-	903	93
Books	32	5,085	812
Book binding	482	-	-
Postage	170	-	-
Equipment	886	-	-
Advertising	56	-	-
Travel	187	-	-
Bond and insurance	100	-	-
Miscellaneous	3,928	-	-
Automation	2,738	-	-
Videos	911	1,022	101
Reading programs	1,809	-	-
Operating transfer out	-	-	-
Total Expenditures and Transfers	<u>58,075</u>	<u>7,010</u>	<u>1,006</u>
Receipts Over (Under) Expenditures	(2,995)	2,350	240
Unencumbered Cash, Beginning	<u>(11,247)</u>	<u>13,715</u>	<u>1,749</u>
Unencumbered Cash, Ending	<u>\$ (14,242)</u>	<u>\$ 16,065</u>	<u>\$ 1,989</u>

See Independent Auditor's Report.

CITY OF STERLING, KANSAS

COMPONENT UNIT

LIBRARY BOARD

SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL

For the Year Ended December 31, 2011

(With Comparative Actual Total for the Prior Year Ended December 31, 2010)

	2011			2010 Actual
	Memorial Fund Actual	Annie Walton Memorial Fund Actual	Total Actual	
Cash Receipts				
Taxes, City of Sterling	\$ -	\$ -	\$ 47,410	\$ 45,699
Grant	-	-	9,360	15,422
State aid	-	-	1,246	1,424
Fines	-	-	2,248	1,978
Lost and damaged items	-	-	129	148
Memorials and gifts	206,285	-	207,957	4,132
Miscellaneous	-	-	2,478	1,749
Book and record sales	-	-	260	858
Interest	-	-	336	443
Copies and taxes	-	-	547	681
Reimbursements	-	-	-	2,547
Operating transfer in	-	-	-	340
Total Cash Receipts	206,285	-	271,971	75,421
Expenditures and Transfers				
Salaries	-	-	33,351	34,139
Payroll taxes	-	-	2,551	2,612
Retirement	-	-	1,684	1,683
Work study	-	-	2,930	2,869
Utilities	-	-	2,119	1,709
Maintenance	1,137	-	1,545	3,386
Audit	-	-	1,753	1,190
Supplies	-	-	1,980	2,617
Magazines and newspapers	-	-	996	999
Books	1,921	-	7,850	10,290
Book binding	-	-	482	513
Postage	-	-	170	366
Equipment	673	-	1,559	2,106
Advertising	-	-	56	74
Travel	-	-	187	140
Bond and insurance	-	-	100	100
Miscellaneous	62	-	3,990	3,114
Automation	-	-	2,738	7,237
Videos	934	-	2,968	2,760
Reading Programs	-	-	1,809	1,494
Operating transfer out	-	-	-	783
Total Expenditures and Transfers	4,727	-	70,818	80,181
Receipts Over (Under) Expenditures	201,558	-	201,153	(4,760)
Unencumbered Cash, Beginning	1,252	21,000	26,469	31,229
Unencumbered Cash, Ending	\$ 202,810	\$ 21,000	\$ 227,622	\$ 26,469

See Independent Auditor's Report.

CITY OF STERLING, KANSAS

SINGLE AUDIT SECTION

FOR THE YEAR ENDED DECEMBER 31, 2011

CITY OF STERLING, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2011

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
<u>Department of Transportation</u>				
Passed through State Department of Transportation State & Community Highway Safety	20.600	SP-1300-11	831	\$ 831
<u>Department of Housing and Urban Development</u>				
Passed through State Department of Commerce Studio 96 Pass-Through for CDBG monies	14.228	09-ST-904	297,970	235,141
<u>Department of Homeland Security</u>				
Passed through State Department of Homeland Security Disaster Grants - FEMA Reconductoring Project	97.036	STR-F01	1,105,840	<u>306,416</u>
Total Expenditures of Federal Awards				<u>\$ 542,388</u>

Note 1 - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Sterling, Kansas and is presented using the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same as the financial statements accompanying this schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

CITY OF STERLING, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2011

A. FINDINGS—FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

Number 10-01: Segregation of Duties

Condition: Appropriate segregation of duties is achieved when one or more employees or functions acts as a check and balance on the activities of another so that no employee should be in a position to both commit an irregularity and conceal it. Due to resource constraints, these conflicting phases of transactions potentially occur throughout your entity at various times throughout the fiscal year. We considered this lack of segregation of duties to be a significant deficiency under standards established by the American Institute of Certified Public Accountants.

Criteria: No single individual should be able to:

- a) *authorize* a transaction;
- b) *record* the transaction in the books of account; and
- c) ensure custody of the asset resulting from the transaction, including the receipt/custody of cash.

For example, if one person executes a sale/transaction, that person should not record the transaction, handle the cash receipt, have authority for or access to cash receipts records, and reconcile the bank account.

Effect: Lack of segregation of duties aids in the possibility that errors and irregularities whether caused by fraud or human error will not be detected.

Cause: Due to the limited staff in the City office, segregation of duties has not been possible as required in an ideal internal control structure. At this time, we feel it would be cost prohibitive to increase staff in the City offices sufficiently to rectify this situation. Current office staff and the City Commission should however, continually review the opportunity to implement segregation of duties that will enhance the internal control structure at a minimal cost to the City.

Recommendation: We recommend that management and the governing body continually review their daily transactions for potential conflicting phases of a transaction as noted above. Below we have detailed actions that management and the governing body should take to compensate for these conflicting phases that have been identified in your daily transaction process:

CITY OF STERLING, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

- **Review reports of detail transactions** – Management and the governing body should review detailed transactions on a regular and timely basis through appropriate computer reports of the detailed transactions.
- **Review selected transactions** – Management and the governing body should select random transactions for review of supporting documents. These selected transactions should be followed through the entire transaction process from start to finish to ensure that all documented internal controls are working appropriately and are not being overridden by any individual within the entity.
- **Take periodic asset counts** – Management and the governing body should periodically conduct counts of physical inventory, equipment, daily cash drawer receipts or other assets and compare these counts with the appropriate accounting records.
- **Check reconciliations** – Management and the governing body should review reconciliations of account balances such as cash, utility billing receivables or other liquid assets on a regular basis. The governing body should perform surprise procedures on these reconciliations independently of management at certain times throughout the fiscal year. These surprise procedures should be documented appropriately by the governing body member, including signature and date conducted.

Management
Response:

See Number 11-01.

Number 10-02

Financial Statement Reporting

Condition:

Our firm has been asked to prepare the financial statements and other supplemental information for the City; however, our firm cannot be considered part of the internal control structure of the City in regard to the preparation of the financial statements and other supplemental information.

Criteria:

The City prepares its financial statements and other supplemental information in accordance with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, in accordance with the reporting and formatting requirements displayed in the *Kansas Municipal Audit Guide (KMAG)*.

CITY OF STERLING, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2011

Effect: We consider this condition related to external financial statement and other supplemental information preparation to be a significant deficiency under the standards established by the American Institute of Certified Public Accountants.

Cause: City personnel does have the skill and knowledge to process all the basic financial transactions and the ability to issue the internal financial statements needed to provide appropriate budget and operating information to the City governing body on an as needed basis. However, the City either has no documented policy or procedures related to the preparation of the external financial statements and other supplemental information and/or the policies and procedures are not implemented and adequately followed to ensure the accuracy and completeness of the external financial statements and other supplemental information.

Recommendation: To strengthen internal control over financial statement and other supplemental information preparation, we recommend:

- Obtain a current copy of the Kansas Municipal Audit Guide (K MAG),
- Obtain a report check list for K MAG financial statements,
- Participate in a training session on financial statement and other supplemental information preparation and review, and
- Adopt a policy that annual financial statements and other supplemental information will be reviewed prior to being subjected to audit.

**Management
Response:**

See Number 11-02

CITY OF STERLING, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Sterling, Kansas.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the City of Sterling, Kansas were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City of Sterling, Kansas expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:

	<u>CFDA No.</u>
Department of Homeland Security: Disaster Grants – FEMA Reconductoring Project	97.036
8. The threshold for distinguishing Types A and B program was \$300,000.
9. The City of Sterling, Kansas was determined not to be a low-risk auditee.

B. FINDINGS—FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

Number 11-01: Segregation of Duties

Condition: Appropriate segregation of duties is achieved when one or more employees or functions acts as a check and balance on the activities of another so that no employee should be in a position to both commit an irregularity and conceal it. Due to resource constraints, these conflicting phases of transactions potentially occur throughout your entity at various times throughout the fiscal year. We considered this lack of segregation of duties to be a significant deficiency under standards established by the American Institute of Certified Public Accountants.

CITY OF STERLING, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

- Criteria: No single individual should be able to:
- a) *authorize* a transaction;
 - b) *record* the transaction in the books of account; and
 - c) ensure custody of the asset resulting from the transaction, including the receipt/custody of cash.
- For example, if one person executes a sale/transaction, that person should not record the transaction, handle the cash receipt, have authority for or access to cash receipts records, and reconcile the bank account.
- Effect: Lack of segregation of duties aids in the possibility that errors and irregularities whether caused by fraud or human error will not be detected.
- Cause: Due to the limited staff in the City office, segregation of duties has not been possible as required in an ideal internal control structure. At this time, we feel it would be cost prohibitive to increase staff in the City offices sufficiently to rectify this situation. Current office staff and the City Commission should however, continually review the opportunity to implement segregation of duties that will enhance the internal control structure at a minimal cost to the City.
- Recommendation: We recommend that management and the governing body continually review their daily transactions for potential conflicting phases of a transaction as noted above. Below we have detailed actions that management and the governing body should take to compensate for these conflicting phases that have been identified in your daily transaction process:
- **Review reports of detail transactions** – Management and the governing body should review detailed transactions on a regular and timely basis through appropriate computer reports of the detailed transactions.
 - **Review selected transactions** – Management and the governing body should select random transactions for review of supporting documents. These selected transactions should be followed through the entire transaction process from start to finish to ensure that all documented internal controls are working appropriately and are not being overridden by any individual within the entity.

CITY OF STERLING, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2011

- **Take periodic asset counts** – Management and the governing body should periodically conduct counts of physical inventory, equipment, daily cash drawer receipts or other assets and compare these counts with the appropriate accounting records.
- **Check reconciliations** – Management and the governing body should review reconciliations of account balances such as cash, utility billing receivables or other liquid assets on a regular basis. The governing body should perform surprise procedures on these reconciliations independently of management at certain times throughout the fiscal year. These surprise procedures should be documented appropriately by the governing body member, including signature and date conducted.

Management
Response:

I concur with the auditor's findings, however, with limited staff; it is not always possible to segregate duties relating to cash receipts and the recording of same. We will make every effort to separate duties for better internal controls.

Number 11-02

Financial Statement Reporting

Condition:

Our firm has been asked to prepare the financial statements and other supplemental information for the City; however, our firm cannot be considered part of the internal control structure of the City in regard to the preparation of the financial statements and other supplemental information.

Criteria:

The City prepares its financial statements and other supplemental information in accordance with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, in accordance with the reporting and formatting requirements displayed in the *Kansas Municipal Audit Guide (KMAG)*.

Effect:

We consider this condition related to external financial statement and other supplemental information preparation to be a significant deficiency under the standards established by the American Institute of Certified Public Accountants.

Cause:

City personnel does have the skill and knowledge to process all the basic financial transactions and the ability to issue the internal financial statements needed to provide appropriate budget and operating information to the City governing body on an as needed basis. However, the City either has no documented policy or procedures related to the preparation of the external financial statements and other supplemental information and/or the policies and procedures are not implemented and adequately followed to ensure the accuracy and completeness of the external financial statements and other supplemental information.

CITY OF STERLING, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

Recommendation: To strengthen internal control over financial statement and other supplemental information preparation, we recommend:

- Obtain a current copy of the Kansas Municipal Audit Guide (KMAG),
- Obtain a report check list for KMAG financial statements,
- Continue participating in training sessions on financial statement and other supplemental information preparation and review, and
- Adopt a policy that annual financial statements and other supplemental information will be reviewed prior to being subjected to audit.

Management
Response:

I concur with the auditor's findings that the financial information supplied is not presented in the form expressed in the KMAG. However, I do believe that the information provided in current form accurately expresses the financial and budgetary condition of the City. Additional training may be required to fulfill the requirement set forth.

C. FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no reportable findings.