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FOR**

**TOWN OF KANSAS, OKLAHOMA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**WINGARD, RAGSDALE & LANGLEY  
CERTIFIED PUBLIC ACCOUNTANTS, PLLC  
PRYOR, OKLAHOMA**

**TOWN OF KANSAS  
TABLE OF CONTENTS  
FINANCIAL STATEMENTS  
JUNE 30, 2011**

	<b>Page</b>
<b>Independent Auditor's Report</b>	<b>1</b>
<b>Management's Discussion and Analysis (Unaudited)</b>	<b>3</b>
<b>Statement of Net Assets (Statement 1)</b>	<b>16</b>
<b>Statement of Activities (Statement 2)</b>	<b>17</b>
<b>Balance Sheet, Governmental Funds (Statement 3)</b>	<b>19</b>
<b>Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds (Statement 4)</b>	<b>20</b>
<b>Statement of Net Assets, Proprietary Fund (Statement 5)</b>	<b>22</b>
<b>Statement of Revenues, Expenses and Changes in Net Assets, Proprietary Fund (Statement 6)</b>	<b>23</b>
<b>Statement of Cash Flows, Proprietary Fund (Statement 7)</b>	<b>24</b>
<b>Notes to Basic Financial Statements - Index</b>	<b>26</b>
<b>Notes to Basic Financial Statements</b>	<b>27</b>
<b>Required Supplementary Information</b>	<b>52</b>
<b>Budgetary Comparison Schedule, General Fund</b>	<b>53</b>
<b>Other Supplementary Information</b>	<b>54</b>
<b>Combining Balance Sheet - Non-Major Governmental Funds</b>	<b>55</b>
<b>Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds</b>	<b>56</b>
<b>Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit Performed In Accordance with <i>Government Auditing Standards</i></b>	<b>57</b>
<b>Schedule of Findings &amp; Responses</b>	<b>59</b>

# WINGARD, RAGSDALE & LANGLEY

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Directors  
Town of Kansas  
Kansas, Delaware County, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Kansas, State of Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Kansas, State of Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kansas as of June 30, 2011, and the respective changes in financial position, and, where applicable, its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 15, and 53, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kansas financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 financial statements as a whole.

*Wingard, Ragsdale Langley, CPAs, PLLC*

**WINGARD, RAGSDALE & LANGLEY**  
*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

JUNE 8, 2012

**TOWN OF KANSAS, OKLAHOMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)  
JUNE 30, 2011**

The discussion and analysis of the Town of Kansas's financial performance provides an overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the accompanying basic financial statements.

**WHO WE ARE**

As of June 30, 2011 the mayor, council members, clerk and treasurer, all of whom are elected, consisted of the following:

Mayor	Jack Stonecipher
Council Members	Bobby Reed Matthew Edwards
Clerk/Treasurer	Guiann Moore

The governing board for the Kansas Public Works Authority is identical to the Town's.

**FINANCIAL HIGHLIGHTS**

- The total assets of the Town for its governmental and business-type activities exceeded its liabilities as of June 30, 2011 by \$2,041,165 as reflected in Statement 1. This excess, together with a comparison to the prior year, is summarized as follows:

	June 30, <u>2011</u>	June 30, <u>2010</u>
Invested in capital assets, net of related debt	\$1,559,229	\$1,551,939
Restricted for debt service	44,184	45,180
Restricted for specific purposes	94,767	98,661
Unrestricted	<u>342,985</u>	<u>352,839</u>
	<u>\$2,041,165</u>	<u>\$2,048,619</u>

- The reserved net assets of governmental activities consist of the following:

	June 30, <u>2011</u>	June 30, <u>2010</u>
Fire Department	\$ 40,228	\$ 39,256
Street Department	15,263	12,975
Cemetery Operations	29,079	28,916
Police Department	<u>10,197</u>	<u>17,514</u>
	<u>\$ 94,767</u>	<u>\$ 98,661</u>

- The Town's (including the PWA) net assets decreased \$7,454 during the year. The breakdown of the decrease was as follows:

Invested in capital assets, net of related debt	\$ 7,290
Restricted	( 4,890)
Unrestricted	<u>( 9,854)</u>
	<u><u>\$( 7,454)</u></u>

- The increase in invested in capital assets, net of related debt was due to depreciation of \$181,897 being less than asset additions of \$122,217 and reduction of long-term debt of \$66,970. Asset additions includes \$50,000 of assets contributed.
- The unrestricted (General Fund) decreased \$81,746 compared to a \$27,741 decrease in the prior year. This is the area of greatest concern and will be further addressed later in this discussion.
- The unrestricted (Kansas PWA) increase of \$71,892 is totally due to an increase in inventory of \$91,875.
- Pertaining to the reserved net assets, all increased except for the Police Department. The decrease in the Police Department was due to \$23,597 being spent for capital outlay which should not be repeated in future years.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the Town's basic financial statements. In accordance with Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments," ("GASB 34"), the Town's basic financial statements include three components: government-wide financial statements; fund financial statements; and notes to the basic financial statements. The major features of these financial statements are summarized as follows:

	<u>Government-wide Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Scope	Entire Town government and the Town's component units	The activities of the Town that are not proprietary, such as police, fire, library, streets, etc.	Activities of the Kansas Public Works Authority consisting of water, sewer and trash services
Required financial statements	-Statement of net assets -Statement of activities	-Balance sheet -Statement of revenues, expenditures, and changes in fund balances	-Statement of net assets -Statement of revenues, expenses, and changes in net assets -Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to statements of a private-sector business.

The *statement of net assets* presents information on all the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

(Unaudited)

Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include public safety activities, streets, cemetery, library and parks activities and general government activities. The business-type activities of the Town include certain utilities.

Two component units are included in the basic financial statements and consist of the Kansas Public Works Authority, a legally separate entity for which the Town is financially accountable and that has the same governing board as the Town, and the County Wide Fire Department Fund, in which the Town's fire department is allocated sales tax monies. These are blended into the financial statements of the Town.

The government-wide financial statements can be found on Statements 1 and 2 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town, excluding the Kansas Public Works Authority, are governmental funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures and changes in fund balance provide a reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 8 individual governmental funds for financial reporting purposes in addition to the Countywide Fire Department Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Street and the Countywide Fire Department Fund and Fire Cash Fund, which are considered to be major funds. Data for the

other 5 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non major governmental funds is provided in the non major funds supplementary section of this report.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund in the basic financial statements.

The governmental funds financial statements can be found on Statements 3 and 4 of this report.

**Proprietary funds.** Proprietary funds provide the same type of information as the government-wide financial statements but in more detail. The proprietary fund financial statements provide information for the Kansas Public Works Authority. The proprietary fund financial statements can be found at Statements 5, 6, and 7 of this report.

**Notes to the basic financial statements.** The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 26 of this report.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town and its component unit, assets exceeded liabilities by \$2,041,165 at the close of the current fiscal year.

As shown on Table 1, the largest portion of the Town's net assets, \$1,559,229 (including the PWA), reflects its investment in capital assets less any related outstanding debt used to acquire those assets. The Town and its component unit uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate liabilities. Summaries of the two components of invested in capital assets is provided in Notes 3.D and 3.G in the notes to the financial statements.

At the end of the fiscal year ended June 30, 2011, the Town reported positive balances in all categories of net assets, both for the Town as a whole, as well as for its separate governmental and business-type activities.

The following represents a summary of the Net Assets for Governmental and Business-type Activities as of June 30, 2011 and 2010 and changes in Net Assets for each of those years:

(Unaudited)

**TABLE 1**  
**SUMMARY OF NET ASSETS**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 208,995	\$ 290,678	\$ 165,794	\$ 178,777	\$ 374,789	\$ 469,455
Capital assets	642,272	637,916	1,529,545	1,593,581	2,171,817	2,231,497
Restricted assets	--	--	71,308	73,986	71,308	73,986
Inventory	<u>--</u>	<u>--</u>	<u>91,875</u>	<u>--</u>	<u>91,875</u>	<u>--</u>
<b>Total assets</b>	<u>851,267</u>	<u>928,594</u>	<u>1,858,522</u>	<u>1,846,344</u>	<u>2,709,789</u>	<u>2,774,938</u>
Current and other						
Liabilities	40,311	45,190	47,657	43,512	87,968	88,702
Long-term liabilities	<u>82,701</u>	<u>105,036</u>	<u>497,955</u>	<u>532,581</u>	<u>580,656</u>	<u>637,617</u>
<b>Total liabilities</b>	<u>123,012</u>	<u>150,226</u>	<u>545,612</u>	<u>576,093</u>	<u>668,624</u>	<u>726,319</u>
Net assets						
Invested in capital assets, net of related debt	537,242	501,715	1,021,987	1,050,224	1,559,229	1,551,939
Restricted for debt service	--	--	44,184	45,180	44,184	45,180
Other restricted	94,767	98,661	--	--	94,767	98,661
Unrestricted	<u>96,246</u>	<u>177,992</u>	<u>246,739</u>	<u>174,847</u>	<u>342,985</u>	<u>352,839</u>
<b>Total net assets</b>	<u>\$ 728,255</u>	<u>\$ 778,368</u>	<u>\$1,312,910</u>	<u>\$1,270,251</u>	<u>\$2,041,165</u>	<u>\$2,048,619</u>

(Unaudited)

**TABLE 2**  
**CHANGES IN NET ASSETS**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 112,020	\$ 140,884	\$ 200,288	\$ 186,719	\$ 312,308	\$ 327,603
Operating grants and contributions	19,851	11,123	--	--	19,851	11,123
Capital grants and contributions	21,354	26,000	--	--	21,354	26,000
General revenues						
Sales tax	146,088	144,492	43,349	43,495	189,437	187,987
Other taxes	43,427	37,596	--	--	43,427	37,596
Other general revenues	<u>3,800</u>	<u>7,103</u>	<u>149</u>	<u>455</u>	<u>3,949</u>	<u>7,558</u>
Total revenues	<u>346,540</u>	<u>367,198</u>	<u>243,786</u>	<u>230,669</u>	<u>590,326</u>	<u>597,867</u>
<b>Expenses</b>						
Administrative and Accounting	105,804	82,052	--	--	105,804	82,052
Public safety	290,232	279,921	--	--	290,232	279,921
Street	15,806	12,344	--	--	15,806	12,344
Cultural, recreation and library	34,809	33,865	--	--	34,809	33,865
Utilities	<u>--</u>	<u>--</u>	<u>290,377</u>	<u>289,870</u>	<u>290,377</u>	<u>289,870</u>
Total expenses	<u>446,651</u>	<u>408,182</u>	<u>290,377</u>	<u>289,870</u>	<u>737,028</u>	<u>698,052</u>
Increase (decrease) in net assets before capital contributions	<u>\$ ( 100,111)</u>	<u>\$ ( 40,984)</u>	<u>\$ ( 46,591)</u>	<u>\$ ( 59,201)</u>	<u>\$ ( 146,702)</u>	<u>\$ ( 100,185)</u>

(Unaudited)

**Governmental Activities.** Governmental activities decreased the Town's net assets by \$50,511 for the current fiscal year compared to a decrease of \$40,984 in the prior year.

The total decrease for the past 2 years of the Fund Balance of the General Fund was \$109,487. The main problem has not been revenues, rather it has been expenses as illustrated below:

Two year increase in expenditures:	
Police	\$52,351
General and Administrative	29,487
	\$81,838

The General and Administrative actually increased \$39,487, but \$10,000 was due to a one-time expenditure for the year ended June 30, 2011 which was offset by a corresponding \$10,000 grant.

The income for all governmental funds decreased \$20,659 and expenses increased \$26,623. The major decrease in revenues for the past year was a \$28,706 decrease in police fine revenues and the major increase in expenditures was in administrative and accounting of \$13,546 after deducting out the \$10,000 grant. Following is the increase (decrease) in fund balances of all other governmental funds:

Countywide Fire Department Fund	\$ 837
Street & Alley Fund	2,288
Cemetery Fund	163
Fire Cash Fund	135
Police Donation Fund	( 7,335)
Police Reserve Fund	18

The Police Donation Fund has already been discussed. The change in the other funds is considered nominal.

**Business-type Activities.** Business-type activities, i.e. the Kansas Public Works Authority, had an increase in net assets of \$42,659. Unrestricted went up \$71,892 and invested in capital assets, net of depreciation declined by \$28,237. Depreciation was \$92,547. This was offset by a net reduction in long term debt of \$35,799.

## FINANCIAL ANALYSIS OF THE TOWN'S MAJOR FUNDS

As noted earlier, the Town uses fund accounting to demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financial requirements. In particular unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**General Fund**

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$96,246, constituting 100% of the fund balance, which was \$81,746 or 45.9% less than the prior year's General Fund balance.

The reasons for the decline, not only for this year, but for the past two years have already been discussed.

**Countywide Fire Department Fund**

This fund pays for most of the operating expenses of the Fire Department in addition to paying \$17,862 annually on a note for the fire truck. Its fund balance increased \$837 during the year to \$39,821.

**Kansas Public Works Authority**

The Authority's net loss was \$59,201 in the prior year and \$46,591 in the current year. The decrease in loss was due principally to a \$15,373 increase in revenues.

See the FINANCIAL HIGHLIGHTS for comments relating to net assets.

**GENERAL FUND BUDGETARY**

The following Table 3 presents a summary analysis of the General Fund budget and actuals for the current fiscal year.

**TABLE 3**  
**SUMMARY ANALYSIS OF GENERAL FUND BUDGET**  
**FISCAL YEAR ENDING JUNE 30, 2011**

<u>Category</u>	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budget Basis)</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
Revenue				
Sales tax	\$ 80,463	\$ 80,463	\$ 84,956	\$ 4,493
All other taxes	32,628	32,628	35,256	2,628
All other revenues	<u>129,714</u>	<u>129,714</u>	<u>126,331</u>	<u>( 3,383)</u>
Total revenues	<u>242,805</u>	<u>242,805</u>	<u>246,543</u>	<u>3,738</u>
Expenditures				
Personal services	224,271	209,271	182,316	26,955
Maintenance and operation	144,470	144,470	107,400	37,070
Capital outlay	<u>29,153</u>	<u>44,153</u>	<u>38,505</u>	<u>5,648</u>
Total expenditures	<u>397,894</u>	<u>397,894</u>	<u>328,221</u>	<u>69,673</u>
Total excess (deficiency) of revenues over expenditures	( 155,089)	( 155,089)	( 81,678)	73,411
Beginning fund balance	<u>155,089</u>	<u>155,089</u>	<u>155,089</u>	<u>--</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 73,411</u>	<u>\$ 73,411</u>

(Unaudited)

The basis of accounting for budgetary purposes for the General Fund is the modified accrual, i. e., revenues are recognized when received and expenses are recognized when encumbered.

The budget method authorized by Oklahoma Statute adopted by the Town for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the beginning of the fiscal year plus 90% of its revenues for the year just ended.

The budgetary fund balance is reconciled to the balance sheet fund balance in the Required Supplementary Information.

Generally, the Town attempts to prepare a budget that will result in a small positive increase in the fund balance. Generally, this is accomplished by only budgeting 90% of the prior year revenues and budgeting amounts, primarily in General Government, that will not be expended.

The reason that the fund balance for budget purposes decreased by \$81,678 to \$73,411 has been previously noted in this discussion.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The Town's investment in capital assets as of June 30, 2011 amounted to \$2,171,817 (net of accumulated depreciation) This investment, detailed in Table 4, in a broad range of capital assets includes land, structures and improvements and equipment. Infrastructure is reported on a prospective basis beginning with the current year and has no balance.

**TABLE 4**  
**CAPITAL ASSETS (NET OF DEPRECIATION)**  
**June 30, 2011**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land and easements	\$ 25,452	\$ --	\$ 25,452
Buildings	235,115	592	235,707
Machinery and equipment	322,066	26,873	348,939
Utility property	--	1,502,080	1,502,080
Infrastructure	<u>59,639</u>	<u>--</u>	<u>59,639</u>
Capital assets, net	<u>\$ 642,272</u>	<u>\$1,529,545</u>	<u>\$2,171,817</u>

Note 3.D. to the financial statements provides additional detail pertaining to Capital Assets.

### **Debt Administration**

- All note requirements and payments were complied with.
- See Note 3.G. to the financial statements for additional detail.

### **ECONOMIC FACTORS AND NEW YEAR'S BUDGET**

The Town's revenues held steady from the prior year in most categories except police fines, which decreased \$28,706. Management must contain expenses in future years to remain solid financially unless revenues increase. Personnel has already been cut and steps taken to reduce other expenses. Two new retail stores are opening in late summer of 2011 and should help revenues.

The Kansas Public Works Authority continues to reflect losses and will need increases in water and sewer rates.

Additionally, the Authority, like any other utility, will ultimately have to replace its utility systems and other assets. The Authority is not funding its depreciation to provide future replacement funds.

The Board is fully aware that the issue of replacing the current water and sewer systems and equipment needs to be addressed at some point in the future.

### **CONTACTING THE TOWN'S FINANCE DEPARTMENT**

This managements' discussion and analysis is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions or need additional financial information, please contact the Town of Kansas at (918) 868-2198.

**TOWN OF KANSAS, OKLAHOMA  
STATEMENT OF NET ASSETS  
JUNE 30, 2011**

Statement 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash, including time deposits	\$ 143,676	\$ 130,973	\$ 274,649
Deposit with county	28,520	--	28,520
Cash in escrow	1,366	1,366	2,732
Taxes receivable	31,923	7,563	39,486
Accounts receivable (net)	3,271	22,052	25,323
Due from component unit	239	--	239
Prepaid insurance	<u>--</u>	<u>3,840</u>	<u>3,840</u>
Total current assets	<u>208,995</u>	<u>165,794</u>	<u>374,789</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	--	70,312	70,312
Due from general obligations	--	996	996
Capital assets (net)	642,272	1,529,545	2,171,817
Inventory	<u>--</u>	<u>91,875</u>	<u>91,875</u>
Total noncurrent assets	<u>642,272</u>	<u>1,692,728</u>	<u>2,335,000</u>
Total assets	<u>851,267</u>	<u>1,858,522</u>	<u>2,709,789</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	17,982	5,653	23,635
Accrued expenses	--	5,081	5,081
Current portion of long-term debt	22,329	35,688	58,017
Due to primary government	--	239	239
Due to restricted assets	<u>--</u>	<u>996</u>	<u>996</u>
Total current liabilities	<u>40,311</u>	<u>47,657</u>	<u>87,968</u>
Noncurrent liabilities:			
Customer deposits payable from restricted assets	--	26,085	26,085
Long-term debt	<u>82,701</u>	<u>471,870</u>	<u>554,571</u>
Total noncurrent liabilities	<u>82,701</u>	<u>497,955</u>	<u>580,656</u>
Total liabilities	<u>123,012</u>	<u>545,612</u>	<u>668,624</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	537,242	1,021,987	1,559,229
Restricted for specific purposes	94,767	--	94,767
Restricted for debt service	--	44,184	44,184
Unrestricted	<u>96,246</u>	<u>246,739</u>	<u>342,985</u>
Total net assets	<u>\$ 728,255</u>	<u>\$1,312,910</u>	<u>\$2,041,165</u>

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

**TOWN OF KANSAS, OKLAHOMA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

Statement 2

	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities</b>					
<b>General government</b>					
Administrative and Accounting	\$ 105,804	\$ --	\$ 10,000	\$ 4,600	\$ ( 91,204)
Total general government	<u>105,804</u>	<u>--</u>	<u>10,000</u>	<u>4,600</u>	<u>( 91,204)</u>
<b>Public safety and judiciary</b>					
Town Attorney	4,474	--	--	--	( 4,474)
Police and Court	170,017	109,403	--	16,254	( 44,360)
Fire	<u>115,741</u>	<u>--</u>	<u>7,977</u>	<u>--</u>	<u>(107,764)</u>
Total public safety and Judiciary	<u>290,232</u>	<u>109,403</u>	<u>7,977</u>	<u>16,254</u>	<u>(156,598)</u>
<b>Transportation</b>					
Street	<u>15,806</u>	<u>--</u>	<u>774</u>	<u>--</u>	<u>( 15,032)</u>
Total transportation	<u>15,806</u>	<u>--</u>	<u>774</u>	<u>--</u>	<u>( 15,032)</u>
<b>Cultural, parks and recreation</b>					
Library	12,597	--	--	--	( 12,597)
Cemetery	13,354	2,617	1,100	--	( 9,637)
Parks	<u>8,858</u>	<u>--</u>	<u>--</u>	<u>500</u>	<u>( 8,358)</u>
Total cultural, parks and recreation	<u>34,809</u>	<u>2,617</u>	<u>1,100</u>	<u>500</u>	<u>( 30,592)</u>
Total governmental activities	<u>446,651</u>	<u>112,020</u>	<u>19,851</u>	<u>21,354</u>	<u>( 293,426)</u>
<b>Business-type activities:</b>					
Water	196,353	135,435	--	--	( 60,918)
Sewer	<u>94,024</u>	<u>64,853</u>	<u>--</u>	<u>--</u>	<u>( 29,171)</u>
Total business-type activities	<u>290,377</u>	<u>200,288</u>	<u>--</u>	<u>--</u>	<u>( 90,089)</u>
Total	<u>\$ 737,028</u>	<u>\$ 312,308</u>	<u>\$ 19,851</u>	<u>\$ 21,354</u>	<u>\$( 383,515)</u>

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

**TOWN OF KANSAS, OKLAHOMA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

**CHANGES IN NET ASSETS**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) /revenue	<u>\$( 293,426)</u>	<u>\$( 90,089)</u>	<u>\$( 383,515)</u>
General Revenues			
Taxes:			
Sales tax	146,088	43,349	189,437
Use tax	12,325	--	12,325
Alcohol beverage tax	7,410	--	7,410
Gasoline tax	1,399	--	1,399
Motor vehicle tax	5,274	--	5,274
Franchise taxes	15,333	--	15,333
Cigarette tax	1,686	--	1,686
Investment income	433	149	582
Miscellaneous	<u>3,367</u>	<u>--</u>	<u>3,367</u>
Total general revenues	<u>193,315</u>	<u>43,498</u>	<u>236,813</u>
Change in net assets	( 100,111)	( 46,591)	( 146,702)
Capital contributions	50,000	89,250	139,250
Net assets - beginning	<u>778,366</u>	<u>1,270,251</u>	<u>2,048,617</u>
Net assets - ending	<u>\$ 728,255</u>	<u>1,312,910</u>	<u>\$2,041,165</u>

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

**TOWN OF KANSAS, OKLAHOMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General Fund</u>	<u>County- Wide Fire Department Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash, including time deposits	\$ 90,027	\$ --	\$ 53,649	\$ 143,676
Deposits with county	--	28,520	--	28,520
Cash in escrow	1,366	--	--	1,366
Taxes receivable	19,094	11,301	1,528	31,923
Accounts receivable - franchises	3,271	--	--	3,271
Due from component unit	<u>470</u>	<u>--</u>	<u>--</u>	<u>470</u>
Total assets	<u>\$ 114,228</u>	<u>\$ 39,821</u>	<u>\$ 55,177</u>	<u>\$ 209,226</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 17,982	\$ --	\$ --	\$ 17,982
Due to component unit	<u>--</u>	<u>--</u>	<u>231</u>	<u>231</u>
Total liabilities	<u>17,982</u>	<u>--</u>	<u>231</u>	<u>18,213</u>
<b>FUND BALANCES</b>				
Restricted	--	39,821	54,946	94,767
Unassigned	<u>96,246</u>	<u>--</u>	<u>--</u>	<u>96,246</u>
Total fund balance	<u>96,246</u>	<u>39,821</u>	<u>54,946</u>	191,013
Total liabilities and fund balances	<u>\$ 114,228</u>	<u>\$ 39,821</u>	<u>\$ 55,177</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$538,426	\$ 642,272
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet	
Due within one year	( 22,329)
Due in more than one year	<u>( 82,701)</u>
Net assets of governmental activities	<u>\$ 728,255</u>

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

**TOWN OF KANSAS, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2011**

	General <u>Fund</u>	County- Wide Fire Department <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>REVENUES</b>				
Sales tax	\$ 86,697	\$ 59,391	\$ --	\$ 146,088
Other taxes	21,421	--	6,673	28,094
Fines and forfeits	109,403	--	--	109,403
Franchise taxes	15,333	--	--	15,333
Interest	72	333	28	433
Miscellaneous	1,756	--	4,228	5,984
Grants and contributions	<u>15,100</u>	<u>--</u>	<u>26,105</u>	<u>41,205</u>
Total revenues	<u>249,782</u>	<u>59,724</u>	<u>37,034</u>	<u>346,540</u>
<b>EXPENDITURES</b>				
Current				
General government				
Administrative & accounting	<u>101,753</u>	<u>--</u>	<u>--</u>	<u>101,753</u>
Total general government	<u>101,753</u>	<u>--</u>	<u>--</u>	<u>101,753</u>
Public safety and judiciary:				
Town attorney	4,474	--	--	4,474
Police and court	149,272	--	158	149,430
Fire	<u>1,320</u>	<u>38,990</u>	<u>10,678</u>	<u>50,988</u>
Total public safety and judiciary	<u>155,066</u>	<u>38,990</u>	<u>10,836</u>	<u>204,892</u>
Transportation				
Street	<u>7,976</u>	<u>--</u>	<u>5,165</u>	<u>13,141</u>
Total transportation	<u>7,976</u>	<u>--</u>	<u>5,165</u>	<u>13,141</u>
Cultural, parks and recreation				
Library	11,138	--	--	11,138
Cemetery	8,044	--	3,567	11,611
Parks	<u>8,115</u>	<u>--</u>	<u>--</u>	<u>8,115</u>
Total cultural, parks and recreation	<u>27,297</u>	<u>--</u>	<u>3,567</u>	<u>30,864</u>

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

**TOWN OF KANSAS, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>County- Wide Fire Department Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Debt service				
Principal	\$ 18,239	\$ 12,934	\$ --	\$ 31,173
Interest and other charges	949	4,928	--	5,877
Capital outlay	<u>18,848</u>	<u>2,035</u>	<u>23,597</u>	<u>44,480</u>
Total expenditures	<u>330,128</u>	<u>58,887</u>	<u>43,165</u>	<u>432,180</u>
Excess (deficiency) of revenues over expenditures	<u>( 80,346)</u>	<u>837</u>	<u>( 6,131)</u>	<u>( 85,640)</u>
Other financing sources (uses)				
Fund transfers	<u>( 1,400)</u>	<u>--</u>	<u>1,400</u>	<u>--</u>
Net changes in fund balances	<u>( 81,746)</u>	<u>837</u>	<u>( 4,731)</u>	<u>( 85,640)</u>
Fund balances - beginning	<u>177,992</u>	<u>38,984</u>	<u>59,677</u>	<u>276,653</u>
Fund balances - ending	<u>\$ 96,246</u>	<u>\$ 39,821</u>	<u>\$ 54,946</u>	<u>\$ 191,013</u>
Reconciliation of the change in fund balances - total government funds to the change in net assets of governmental activities				
Net change in fund balances - total governmental funds				<u>( 85,640)</u>
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:				
Contributed assets				50,000
Capital asset purchase capitalized				43,705
Depreciation expense				<u>( 89,349)</u>
				<u>4,356</u>
Governmental funds report payment of long-term debt as expenditures while the statement of net assets reflects a decrease in such debt				
				<u>31,173</u>
				<u>\$( 50,111)</u>

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

**TOWN OF KANSAS, OKLAHOMA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
KANSAS PUBLIC WORKS AUTHORITY  
JUNE 30, 2011**

**ASSETS**

## Current assets

Cash and cash equivalents	\$ 130,973
Cash in escrow	1,366
Accounts receivable	22,052
Taxes receivable	7,563
Due from Town of Kansas	231
Prepaid Insurance	<u>3,840</u>

Total current assets 166,025

## Noncurrent assets:

Restricted assets	
Cash and cash equivalents	70,312
Due from general obligations	996
Capital assets (net)	1,529,545
Inventory	<u>91,875</u>

Total noncurrent assets 1,692,728

Total assets 1,858,753

**LIABILITIES**

## Current liabilities

Accounts payable	5,653
Accrued expenses	5,081
Current portion of long-term debt	35,688
Due to restricted assets	996
Due to Town of Kansas	<u>470</u>

Total current liabilities 47,888

## Noncurrent liabilities

Customers' meter deposits (payable from restricted assets)	26,085
Long-term debt	<u>471,870</u>

Total noncurrent liabilities 497,955

Total liabilities 545,843

**NET ASSETS**

Investment in capital assets, net of related debt	1,021,987
Restricted for debt service	44,184
Non-spendable	95,715
Unrestricted	<u>151,024</u>

Total net assets \$1,312,910

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

**TOWN OF KANSAS, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
KANSAS PUBLIC WORKS AUTHORITY  
FOR THE YEAR ENDED JUNE 30, 2011**

Operating revenues	
Utility charges	\$ 189,480
Wages reimbursement	6,721
Miscellaneous	<u>10,808</u>
Total operating revenues	<u>207,009</u>
Operating expenses	
Insurance	10,337
Legal and professional	10,070
Salaries and benefits	92,630
Utilities	26,418
Other expenses	16,556
Repairs, maintenance and supplies	24,646
Depreciation expense	<u>92,547</u>
Total operating expense	<u>273,204</u>
Net operating income (loss)	( <u>66,195</u> )
Nonoperating revenue (expenses)	
Interest expense	( 23,894)
Sales tax revenue	43,349
Investment income	<u>149</u>
Total nonoperating revenue (expenses)	<u>19,604</u>
Net income (loss) before capital contributions	( 46,591)
Capital contributions	<u>89,250</u>
Changes in net assets	42,659
Net assets - beginning of year	<u>1,270,251</u>
Net assets - end of year	<u><u>\$1,312,910</u></u>

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

**TOWN OF KANSAS, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
KANSAS PUBLIC WORKS AUTHORITY  
FOR THE YEAR ENDED JUNE 30, 2011**

Cash flows from operating activities:	
Receipts from customers	\$ 204,694
Payments to suppliers	( 90,920)
Payments to employees and benefits	( 90,419)
Receipts (deficits) over refunds of customer meter deposits	<u>1,045</u>
Net cash provided (used) by operating activities	<u>24,400</u>
Cash flows from noncapital financing activities:	
Sales tax	<u>42,478</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	( 35,799)
Interest paid	( 23,957)
Purchase of capital assets	<u>( 28,512)</u>
Net cash provided (used) by capital and related financing activities	<u>( 88,268)</u>
Cash flows from investing activities	
Interest	<u>149</u>
Net cash provided (used) by investing activities	<u>149</u>
Net increase (decrease) in cash and cash equivalents	( 21,241)
Balances - beginning of the year	<u>222,526</u>
Balances - end of the year	<u>\$ 201,285</u>
Cash, including time deposits	130,973
Restricted cash, including time deposits	<u>70,312</u>
Total cash and cash equivalents, end of year	<u>\$ 201,285</u>

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

**TOWN OF KANSAS, OKLAHOMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
KANSAS PUBLIC WORKS AUTHORITY  
FOR THE YEAR ENDED JUNE 30, 2011**

Reconciliation of operating income (loss ) to net  
cash provided (used) by operating activities

Operating income (loss)	( 66,195)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows in other categories:	
Depreciation expense	92,547
Change in assets and liabilities:	
Receivables and cash in escrow	( 703)
Prepaid insurance	( 3,840)
Inventory	( 2,625)
Accounts payable and due Town	1,509
Customer meter deposits payable	1,045
Accrued expenses	<u>2,662</u>
	<u>\$ 24,400</u>

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

**TOWN OF KANSAS, OKLAHOMA  
NOTES TO BASIC FINANCIAL STATEMENTS  
TABLE OF CONTENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Financial Reporting Entity
- B. Basis of Presentation
- C. Measurement Focus and Basis of Accounting
- D. Assets, Liabilities, and Equity
- E. Revenues, Expenditures, and Expenses

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

- A. Fund Accounting Requirements
- B. Deposits and Investments Laws and Regulations
- C. Revenue Restrictions
- D. Debt Restrictions and Covenants
- E. Fund Equity Restrictions

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

- A. Cash and Investments
- B. Restricted Assets
- C. Accounts Receivable
- D. Capital Assets
- E. Accounts Payable
- F. Long-term Debt
- G. Employment Retirement System
- H. Due to/from Operating and Capital Transfers
- I. Risk Management

**TOWN OF KANSAS, OKLAHOMA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Kansas was incorporated in 1965 and operates under an elected Town Board of Trustees form of government. The Town's major operations include public safety (police and fire), parks, library, provision and maintenance of streets and drainage, and general administrative services. In addition, the Town exercises sufficient control over another governmental agency that provides water and sewer services that is included as part of the Town's reporting entity.

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. The Town was required to implement the new financial reporting requirements of GASB Statement Nos. 33 and 34 for the year ended June 30, 2004.

**1.A. FINANCIAL REPORTING ENTITY**

The Town's financial reporting entity comprises the following:

Primary Government:	Town of Kansas
Blended Component Units:	Kansas Public Works Authority County Wide Fire Department Fund

In determining the financial reporting entity, The Town complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the Town appointed a voting majority of the units' board; the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

### *Blended Component Unit*

A blended component unit is a separate legal entity that meets the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town's by appropriate activity type to compose the primary government presentation.

### *Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

### **Blended Component Unit**

<b>Component Unit</b>	<b>Brief Description/Inclusion Criteria</b>	<b>Reporting</b>
Kansas Public Works Authority	The Authority, which has the same Board Members as the Town, provides water, and sewer services to citizens of the Town. The Authority is dependent on the Town, as a major source of revenues is sales tax. The Town is the beneficiary of the Authority.	Proprietary

### **Blended Other Units**

A countywide sales tax is assessed for the purpose of providing revenues to the various fire departments of Delaware County. The sales tax receipts are equally divided among the fire departments and administered by the County which maintains a fund for each fire department, including that of the Town of Kansas. Purchases against the funds can only be initiated by each fire department, sometimes requiring its governing board approval.

## **1.B. BASIS OF PRESENTATION**

### *Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

### *Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental category. The Kansas Public Works Authority is the only proprietary type activity of the reporting entity and is considered a major fund. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

#### **Governmental Funds**

##### *General Fund*

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounting for in other funds.

##### *Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally or council restricted to expenditures for certain purposes.

##### *Capital Project Funds*

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The Town's only capital project fund is a REAP Grant building fund.

##### *Debt Service Fund*

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the Town other than debt service payments made by other funds. The Town has no debt service funds.

## Proprietary Fund

### *Enterprise Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Kansas Public Works Authority is the only enterprise fund.

## Major and Non major Funds

The funds are further classified as major or non major as follows:

<b>Fund</b>	<b>Brief Description</b>
<b>Major:</b>	
General	See above for description
Countywide Fire Department Fund	Provides funds for the acquisition of assets and the operations of the fire department. Funded by a countywide sales tax.
Proprietary Fund: Kansas Public Works Authority	Accounts for activities of providing water and sewer services to the public.
<b>Non major:</b>	
Special Revenue Funds: Street and Alley	Accounts for revenues and expenditures of maintaining, improving and extending streets and alleys.
Cemetery Fund	Accounts for revenues and expenditures of maintaining the cemetery.
Fire Fund	Accounts for revenues raised by the volunteer firefighters, donations and grants and expending of such funds

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and businesslike activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and businesslike activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Specifically taxes received in July and August after the year end are accrued when such taxes pertain to the period being reported.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, grant receivables are recognized when expenditures are incurred that are to be reimbursed. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt services, prepaid expenses, and other long-term obligations which are recognized when paid. Capital asset acquisitions and debt payments are treated as expenditures.

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

### **Budget Basis of Accounting**

Formal budgetary accounting is employed as a management control for the governmental funds of the Town. Annual operating budgets are adopted only for the general fund. The basis of accounting for budgetary purposes for all funds is the modified accrual, i.e., revenues are recognized when received and expenditures are recognized when encumbered. The Kansas Public Works Authority also adopts a budget and revenues are recognized when earned and billed and expenditures are recognized when incurred.

The budget method authorized by Oklahoma Statute adopted by the Town for its general fund places a limit on the amount that can be budgeted. The amount to be budgeted for the next fiscal year is the unreserved fund balance at the end of the fiscal year plus 90% of its revenues for the year just ended. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

## **1.D. ASSETS, LIABILITIES, AND EQUITY**

### **Cash and Investments**

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposit of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit.

Additional cash and investment disclosures are presented in Notes 2.C. and 3.A.

## Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

The Kansas Public Works Authority is the only fund that has receivables that are essentially subject to bad debts. An allowance for uncollectible accounts has not been established, as is more fully explained in Note 3.C. Such receivables consist of utility charges to customers.

## Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. The capitalization policy of both the Town and the Authority is to capitalize all assets with a cost of \$500 or greater. Prior to June 30, 1996 the Authority capitalized all items costing over \$250.

### *Government-wide statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

As of June 30, 2011, the governmental funds' infrastructure assets have not been capitalized, which, in accordance with GASB 34, is not required.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Government</u>	<u>Proprietary</u>
Buildings	12 - 40 years	40 years
Machinery and Equipment	5 - 25 years	5 - 20 years
Utility System	--	10 - 40 years

### *Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

## **Restricted Assets**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to charter and third party required reserves and utility meter deposits.

## **Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consist primarily of bonds and leases payable, and customer meter deposits.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

## **Equity Classifications**

### *Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The only restricted net assets are funds set aside for the payment of long-term debt as required by bond indentures and funds held for utility deposits. Both are reflected in the Kansas Public Works Authority.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

## *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

### **1.E. REVENUES, EXPENDITURES, AND EXPENSES**

#### **Sales Tax**

A 3 cent sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. Two cents of the sales tax is allocated to the general fund and one cent to the Kansas Public Works Authority. Additionally the Countywide Fire Department Fund receives sales tax revenues from Delaware County.

#### **Use Tax**

The Town levies a 3 cent use tax on personal property purchased outside the city limits but stored, used, or consumed within the city. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received from the vendors. The use taxes are allocated entirely to the General Fund.

#### **Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

#### **Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities:

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the Town of Kansas's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

**2.A. FUND ACCOUNTING REQUIREMENTS**

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

<b>Fund</b>	<b>Required By</b>
Street and Drainage	State Law
Public Works Authority	Trust Indenture
Cemetery	State Law

**2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U. S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A. Section 1823 (e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee.

## 2.C. REVENUE RESTRICTIONS

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	See Note 1.E.
Gasoline Excise & Commercial Vehicle Tax	Street and Alley Purposes
Water, Sewer, Electrical, and Gas Revenue	Debt Service & Utility Operations

For the year ended June 30, 2011, the Town complied, in all material respects, with these revenue restrictions.

## 2.D. DEBT RESTRICTIONS AND COVENANTS

### General Obligation Debt

Article 10, Sections 26 and 27, for the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for nonutility or nonstreet purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2011, the Town complied with this provision.

### Other Long-term Debt

Except as noted in the preceding paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval.

## 2.E. FUND EQUITY RESTRICTIONS

### Deficit Prohibition

Title 11, Section 17-211, of the Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town of Kansas complied with this statute in all material respects for the year ended June 30, 2011.

## NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

### 3.A. CASH AND INVESTMENTS

#### Deposits

The Town's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2011. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Town (or public trust) or by its agent in its name

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized with no written or approved collateral agreement.

Type of Deposits	Total Bank Balance	Custody <u>1</u>	Credit Risk <u>2</u>	Category <u>3</u>	Total Carrying Value
Demand deposits	<u>\$353,418</u>	<u>\$353,418</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 344,961</u>
Time deposits					
Reconciliation to Government-wide Statement of Net Assets:					
Unrestricted cash, including time deposits					\$274,649
Restricted cash, including time deposits					<u>70,312</u>
					<u>\$344,961</u>

### 3.B. RESTRICTED ASSETS

The following is a summary of the restricted assets:

#### Business Activities

Reservation of retained earnings  
 Reserve for debt retirement \$ 45,223

#### Liabilities

Liability for customer meter deposits  
 Cash 25,089  
 Due from general operations 996

26,085

Total restricted assets \$ 71,308

The source and purpose of restricted assets is as follows:

- (a) Reserve for Debt Retirement - Loan provisions for the reserves not fully funded require that there shall be set aside and credited in the reserve for debt retirement the sum of \$369.90 each month until there is accumulated in such reserves the sum of \$45,180, after which no further credits need be made into the account except to replace withdrawals. These reserves can be used for payments on the notes if other funds are insufficient. With written approval from the Rural Development Administration, formerly Farmers Home Administration, the reserves can also be used for repairs necessitated by a catastrophe or making extensions or improvements to the facility. As of June 30, 2011, this reserve was fully funded with an excess of \$43.

When disbursements are made from the reserve for debt retirement, monthly credits shall be continued or resumed until there is again accumulated the aforesaid required balances, at which time credits may be discontinued.

- (b) Customer Meter Deposits - This represents deposits required from utility customers and is reported as a liability.

### **3.C. ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of franchise taxes.

Accounts receivable of the Kansas Public Works Authority are reported at their gross value without an allowance for doubtful accounts. All accounts have utility deposits with the Authority which can be applied to any unpaid balances. Management feels that such deposits will cover most accounts that might become uncollectible. Accordingly, no allowance for uncollectible accounts has been established. Accounts written off in prior years have been negligible.

### 3.D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance at July 1, 2010	Additions	Disposals	Transfer	Balance at June 30, 2011
<b>Governmental activities:</b>					
Land	\$ 25,452	\$ --	\$ --	\$ --	\$ 25,452
Buildings	370,483	--	--	--	370,483
Machinery and equipment	691,994	48,705	( 16,070)	--	724,629
Infrastructure	<u>16,384</u>	<u>45,000</u>	<u>--</u>	<u>--</u>	<u>61,384</u>
Totals at historical cost	<u>1,104,313</u>	<u>93,705</u>	<u>( 16,070)</u>	<u>--</u>	<u>1,181,948</u>
<b>Less accumulated depreciation</b>					
Buildings	( 126,571)	( 8,797)	--	--	( 135,368)
Machinery and equipment	( 339,182)	( 79,451)	16,070	--	( 402,563)
Infrastructure	<u>( 644)</u>	<u>( 1,101)</u>	<u>--</u>	<u>--</u>	<u>( 1,745)</u>
Total accumulated depreciation	<u>( 466,397)</u>	<u>( 89,349)</u>	<u>16,070</u>	<u>--</u>	<u>( 539,676)</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 637,916</b></u>	<u><b>\$ 4,356</b></u>	<u><b>\$ --</b></u>	<u><b>\$ --</b></u>	<u><b>\$ 642,272</b></u>
<b>Business-type activities:</b>					
Buildings	9,468	--	--	--	9,468
Machinery and equipment	86,983	8,512	--	--	95,495
Utility property	3,107,295	20,000	--	7,000	3,134,295
Work in progress	<u>7,000</u>	<u>--</u>	<u>--</u>	<u>( 7,000)</u>	<u>--</u>
Totals at historical cost	<u>3,210,746</u>	<u>28,512</u>	<u>--</u>	<u>--</u>	<u>3,239,258</u>
<b>Less accumulated depreciation:</b>					
Buildings	( 8,639)	( 237)	--	--	( 8,876)
Machinery and equipment	( 56,550)	( 12,072)	--	--	( 68,622)
Utility property	<u>( 1,551,976)</u>	<u>( 80,239)</u>	<u>--</u>	<u>--</u>	<u>( 1,632,215)</u>
Total accumulated depreciation	<u>( 1,617,165)</u>	<u>( 92,548)</u>	<u>--</u>	<u>--</u>	<u>( 1,709,713)</u>
<b>Business-type capital assets, net</b>	<u><b>\$ 1,593,581</b></u>	<u><b>\$ ( 64,036)</b></u>	<u><b>\$ --</b></u>	<u><b>\$ --</b></u>	<u><b>\$ 1,529,545</b></u>

\* Depreciation expense was charged to governmental activities as follows:

General government:	
Administrative and accounting	<u>\$ 4,051</u>
Total general government	<u>4,051</u>
Public safety and judiciary:	
Police	18,863
Fire	<u>59,825</u>
Total public safety and judiciary	<u>78,688</u>
Streets	<u>2,665</u>
Cultural, parks and recreation:	
Library	1,459
Cemetery	1,743
Parks	<u>743</u>
Total cultural, parks and recreation	<u>3,945</u>
Total depreciation expense	<u>\$ 89,349</u>

The capitalization of infrastructure is reported on a prospective basis beginning July 1, 2003.

### **3.E. ACCOUNTS PAYABLE**

Payables in all funds are composed of payables to vendors only. Accrued expenses consist mainly of accrued payroll and benefits and additionally for the Kansas Public Works Authority, accrued interest. .

### **3.F. INVENTORY**

Inventory consists of \$2,625 of water meters purchased during the year that were not installed and \$89,250 of pipe donated by an organization. The pipe is to be used on a water line extension during the fiscal year ending June 30, 2012. Inventory is treated as a noncurrent asset as it will ultimately be a capital asset.

### 3.G. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

#### Governmental Activities

The following is a summary of the Town's (excluding Proprietary Funds) long-term debt transactions for the year ended June 30, 2011:

Debt outstanding, July 1, 2010	\$136,201
Additions	--
Retirements	<u>( 31,171)</u>
Debt outstanding, June 30, 2011	<u>\$105,030</u>
Amount due within one year	<u>\$ 22,329</u>

	<u>Debt Outstanding June 30, 2011</u>	<u>Due Within One Year</u>
Lease with a purchase option on a fire truck dated February 9, 2010 in the amount of \$139,820 payable in annual installments of \$17,861.94 including 4.72% interest	\$ 91,479	\$ 13,544
Lease with purchase option on 2 police cars dated September 29, 2009, in the amount of \$36,350 payable in monthly installments of \$1,114.26, including 4.6% interest	3,254	3,254
Lease with purchase option on police car dated April 15, 2010 in the amount of \$16,500 payable in monthly installments of \$484.62, including 3.65% interest	<u>10,297</u>	<u>5,531</u>
	105,030	<u>\$ 22,329</u>
Less current portion	<u>22,329</u>	
Long-term portion	<u>\$ 82,701</u>	

Principal and interest until maturity is as follows:

	<u>Interest</u>	<u>Principal</u>
Year ended June 30, 2012	4,628	22,329
Year ended June 30, 2013	3,758	18,949
Year ended June 30, 2014	3,009	14,853
Year ended June 30, 2015	2,308	15,554
Year ended June 30, 2016	1,574	16,288
Until maturity 2/22/2017	805	17,057

**Business-Type Activities**

The following is a summary of the Kansas Public Works Authority's long-term debt transaction for the year ended June 30, 2011.

Debt outstanding July 1, 2010	543,357
Additions	--
Retirements	<u>( 35,799)</u>
 Debt outstanding June 30, 2011	 <u>\$507,558</u>
 Amount due in one year	 <u>\$ 35,688</u>

Notes and bonds payable at June 30, 2011 for the Kansas Public Works Authority consist of the following:

<u>Note #</u>	<u>Interest Rate</u>	<u>Payment Amount</u>	<u>Term</u>	<u>Total Debt</u>	<u>Due Within One Year</u>
<b>Rural Development Administration, formerly Farmer's Home Administration</b>					
92-03	5.00 %	2,029	monthly	\$ 263,065	\$ 11,455
92-08	5.00 %	816	monthly	95,158	5,151
91-05	6.125%	474	monthly	45,725	2,970
91-06	5.00 %	380	monthly	<u>39,815</u>	<u>2,629</u>
				443,763	22,205
 First Arvest Bank Oklahoma Department of Commerce	 8.25%  .00%	 552  729	 monthly  monthly	 4,733  <u>59,062</u>	 4,733  <u>8,750</u>
 Less: Current Portion				 507,558 ( 35,688)	 <u>35,688</u>
 Long-term Portion				 <u>\$ 471,870</u>	

The notes to the Rural Development Administration are secured by mortgages on the property, plant, and equipment of the Public Works Authority. In addition, the Authority has assigned its revenues to Rural Development Administration. The notes to First Arvest Bank are secured by equipment and vehicle. The note payable to Oklahoma Department of Commerce is unsecured.

Long-term debt maturities, including principal and interest, for each of the next five years and until maturity in the aggregate are as follows:

	<u>Interest</u>	<u>Principal</u>
Year ended June 30, 2012	22,333	35,688
Year ended June 30, 2013	21,011	32,127
Year ended June 30, 2014	19,778	33,360
Year ended June 30, 2015	18,479	34,658
Year ended June 30, 2016	17,112	36,026
5 years ended June 30, 2021	62,358	174,893
5 years ended June 30, 2026	20,357	147,098
1 year ended June 30, 2027	22640	13,708

### **3.H. EMPLOYEE RETIREMENT SYSTEM**

#### ***Employee Retirement System of Kansas, Oklahoma***

On April 30, 1999, the Town of Kansas and the Kansas Public Works Authority collectively adopted a defined benefit pension plan entitled the Employee Retirement System of Kansas, Oklahoma. The plan is an agent multiple-employer plan with pooled administrative and investment functions. Separated accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. The plan is administered by the Oklahoma Municipal Retirement Fund and no separate financial statements are issued by the plan.

#### **1) Plan Description**

- a. Eligible employees - All employees after 9 months of continuous employment excluding elected officials and any employee who is currently accruing benefits under any other state or local retirement system.
- b. Service credit - All years of service prior to the adoption of the plan.
- c. Vesting - Ten year cliff vesting schedule
- d. Employee contributions - 1.5% of covered payroll
- e. Benefits - Annual benefit of .75% of Final Average Pay per year of service
- f. Funding - Pension costs prior to adoption are being paid out over 30 years.

g. Retirement age - The earlier of (a) age 65 and (b) the later of age 62 and the age at which the participant has completed 30 years of credited service.

2) Summary of 2010-2011 Plan Contributions

Employee contribution rate as a percentage of pay	1.50%
Municipality-required contribution rate as a percentage pay	3.35%
Total required contribution rate	4.85%

The required contribution rate is actuarially measured each plan year as the amount necessary to fund the plan on a long term basis using the actuarial cost methods and assumptions adopted for the plan:

Cost Method	Entry age normal
Interest rate	7.5% per annum
Pay increases	Rates by age
Mortality	UP 94 mortality (projected)
Retirement age	Rates by age
Turnover	Rates by age and service
Asset value	Actuarial method

3) Development of Plan Contribution Requirement

Actuarial liability (entry age normal method)	
Retired, survivors and deferred vested	\$ 68,714
Active employees (5)	<u>21,359</u>
Total	\$ 90,073
Assets (actuarial value as of 1/1/2011)	<u>51,723</u>
Unfunded actuarial liability	<u>\$ 38,350</u>
Annual amount to amortize the unfunded actuarial liability over 30 years	3,132
Annual normal cost	<u>6,402</u>
Total annual cost	<u>\$ 9,534</u>
Valuation payroll as of 1/1/2011	<u>\$196,768</u>

Required total contribution as a percent of payroll (effective 7/1/2011)	4.85%
4) Development of the Actuarial Value of Assets	
Market value of assets as of 1/01/2010	39,074
Actuarial value of assets as of 1/01/2010	43,646
Percent of market value	112%
Contributions	
Employer	8,354
Employee	2,693
Distributions	( 5,912)
Assumed yield at valuation rate (7.5%)	<u>3,466</u>
Preliminary actuarial value	52,248
Market value of assets at 1/01/2010	50,149
Adjustment	
25% of market less preliminary value	( 525)
Minimum actuarial value of assets as of 1/01/2011	
70% of market value	35,104
Maximum actuarial value of assets as of 1/01/2011	
130% of market value	65,913
Actuarial value of assets as of 1/01/2011	51,723
Percent of market value	103%

An actuarial technique is used to reduce the effect of fluctuations in market value on plan funding requirements.

The actuarial value of assets is equal to the prior year's value adjusted for cash flows and interest at the valuation rate. This amount is adjusted by a percentage of the difference between it and market.

If the actuarial asset value would otherwise be outside a 30% corridor, it is instead equal to the relevant corridor limit.

## 6) Summary of the Actuarial Cost Method

Pension funding requirements are allocated to periods of time using the entry age normal cost method.

Under the entry age normal cost method, the normal cost is computed as the level percent of pay which, if paid from the time an employee became a participant until his assumed retirement, would accumulate to a fund sufficient to pay all plan benefits.

The actuarial liability of the plan is the hypothetical accumulation with interest of prior normal costs less payments, from the employee's date of participation to present.

The actuarial liability for non-active participants is the present value of future benefits anticipated to be paid to current retirees, beneficiaries and deferred vested participants, discounted for interest and mortality.

The unfunded actuarial liability (UAL) is the difference between the actuarial liability and the actuarial value of plan assets. This amount (redetermined each year) is amortized over 30 years from the valuation date.

Experience gains (decreases in cost due to favorable experience), or experience losses (increases in cost due to adverse experience), attributable to deviations between the assumed and actual experience of the Plan, are amortized as part of the UAL.

## 7) Related Party Investments

During the year and as of June 30, 2011, the Plan held no securities issued by the Town of Kansas or the Kansas Public Works Authority.

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Value of Assets</u>	<u>Asset Valuation Basis</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Type</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
1/1/2002	17,805	Actuarial	79,886	EAN	62,081	22.3%	105,565	58.8%
1/1/2003	22,954	Actuarial	73,279	EAN	50,325	31.3%	69,649	72.3%
1/1/2004	26,608	Actuarial	77,442	EAN	50,834	34.4%	59,555	85.4%
1/1/2005	28,744	Actuarial	65,349	EAN	36,605	44.0%	78,878	46.4%
1/1/2006	34,561	Actuarial	70,106	EAN	35,545	49.3%	84,071	42.3%
1/1/2007	37,409	Actuarial	71,728	EAN	34,319	52.2%	65,029	52.8%
1/1/2008	41,263	Actuarial	77,047	EAN	35,784	53.6%	75,486	47.4%
1/1/2009	37,992	Actuarial	70,879	EAN	32,887	53.6%	71,246	46.2%
1/1/2010	43,646	Actuarial	82,154	EAN	38,507	53.1%	152,163	25.3%
1/1/2011	51,723	Actuarial	90,073	EAN	38,350	57.4%	196,768	19.5%

Covered payroll is the total annualized rate of pay as of the valuation date based on actual pay for the preceding year.

## ***Oklahoma Firefighters' Pension and Retirement System***

### **1) Plan Description**

All volunteer firemen of the Town of Kansas, Oklahoma are covered by the Oklahoma Firefighters' Pension and Retirement System, which is a cost-sharing multiple-employer PERS.

All volunteer firemen, except those under 18 years of age or an employee who was hired after reaching age 45 unless he or she has prior service and will have completed twenty years of service by age 65, are eligible and must participate in the State PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after accumulating 20 years of service with the Town or another entity covered by the State PERS. Benefits vest after 10 years of service. Employees who retire with 20 or more years of service are entitled to pension payments beginning at age 50 equal to \$6.96 per month times their number of years of service up to a maximum of 30 years.

Pension provisions include deferred allowances whereby a volunteer firefighter may terminate with the Town after accumulating 10 years of service but not before reaching the age of 50. The volunteer firefighter is entitled to all pension benefits upon reaching the age of 50 or by the time he or she would have completed 20 years of service, whichever is later.

Pension provisions include death and disability benefits, whereby the disabled volunteer firefighter or surviving spouse is entitled to receive the same as a normal retirement with 20 years of service.

Both the Town's current-year covered payroll and its total current-year payroll for all employees amount to \$ .00, as contributions and benefits for volunteer firemen are not based on payroll.

### **2) Contributions Required and Made**

Volunteer firefighters of the Town do not make contributions to the pension plan. The Town makes annual contributions of \$60 to the pension plan for each active volunteer firefighter, which amounted to \$1,320.00 for the year ended June 30, 2011.

The Town made all required contributions to the plan for the year, and no contributions are required from the firefighters. Total contributions are allocated between the municipality and the state. The contribution amounts for municipalities are set by state statutes. Therefore, the remainder of required contributions must be made by the state.

## Funding Status and Progress

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB-5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits which will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among other PERS and among other employers.

Total unfunded pension benefit obligation of the State PERS as of July 1, 2011 was as follows:

Total pension benefit obligations (actuarial accrued liability)	\$2,760,356,036
Net assets available for pension benefits, at actuarial value	<u>1,757,838,480</u>
Unfunded actuarial benefit obligation	<u>\$1,002,517,556</u>

The measurement of the total pension benefit obligation is based on actuarial valuation as of July 1, 2011. Net assets available to pay pension benefits were valued as of the same date.

The Town's 2011 required contribution to the State PERS represents less than .01% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

Ten-year historical trend information is presented in the State PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

**3.I. DUE TO/FROM TOWN AND COMPONENT UNIT (TRANSFERS)**

Kansas Public Works Authority's personnel perform services for the Town of Kansas. The Town's funds and the Authority share certain expenses. Also, certain expenses and receipts were accidentally expensed to or deposited to the wrong fund. The result is receivables/ payables at June 30, 2011 as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund		
Kansas PWA	\$ 470	\$ --
Street and Alley		
Kansas PWA	--	231
Kansas PWA		
General Fund	--	470
Street and Alley	<u>231</u>	<u>--</u>
	<u>\$ 701</u>	<u>\$ 701</u>

The General Fund transferred \$1,400 to the Fire Cash Fund to cover a shortage in the latter fund.

**3.J. CAPITAL CONTRIBUTIONS**

This represents piping donated by the Cherokee Nation for a water extension and, although currently treated as a noncurrent inventory, will ultimately be capitalized.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the GASB, but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedules - General Fund

**TOWN OF KANSAS, OKLAHOMA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2011  
(Unaudited)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	\$ 155,089	\$ 155,089	\$ 155,089	\$ --
Resources (inflows)				
Taxes				
Franchise taxes	13,206	13,206	15,292	2,086
Use tax	12,270	12,270	11,945	( 325)
Sales tax	<u>80,463</u>	<u>80,463</u>	<u>84,956</u>	<u>4,493</u>
Total taxes	<u>105,939</u>	<u>105,939</u>	<u>112,193</u>	<u>6,254</u>
Intergovernmental				
Alcoholic beverage tax	5,455	5,455	6,364	909
Cigarette tax	<u>1,697</u>	<u>1,697</u>	<u>1,655</u>	<u>( 42)</u>
Total intergovernmental	<u>7,152</u>	<u>7,152</u>	<u>8,019</u>	<u>867</u>
Fines and forfeitures				
Police fines	<u>124,298</u>	<u>124,298</u>	<u>109,403</u>	<u>( 14,895)</u>
Total fines and forfeitures	<u>124,298</u>	<u>124,298</u>	<u>109,403</u>	<u>( 14,895)</u>
Investment income	<u>73</u>	<u>73</u>	<u>72</u>	<u>( 1)</u>
Grants and contributions	<u>2,000</u>	<u>2,000</u>	<u>15,100</u>	<u>13,100</u>
Miscellaneous	<u>3,343</u>	<u>3,343</u>	<u>1,756</u>	<u>( 1,587)</u>
Amounts available for appropriation	<u>397,894</u>	<u>397,894</u>	<u>401,632</u>	<u>3,738</u>
Charges to appropriations (outflows)				
Personal services	224,271	209,271	182,316	26,955
Maintenance and operation	144,470	144,470	107,400	37,070
Capital outlay	<u>29,153</u>	<u>44,153</u>	<u>38,505</u>	<u>5,648</u>
Total charges to operations	<u>397,894</u>	<u>397,894</u>	<u>328,221</u>	<u>69,673</u>
Ending budgetary fund balances	<u>\$ --</u>	<u>\$ --</u>	73,411	<u>\$ 73,411</u>
Adjustments to reconcile to balance sheet				
Taxes receivable			19,094	
Accounts receivable			<u>3,741</u>	
Fund Balance			<u>\$ 96,246</u>	

## **OTHER SUPPLEMENTARY INFORMATION**

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements - Nonmajor governmental funds

**TOWN OF KANSAS, OKLAHOMA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2011**

	Special Revenue Funds					
	Street and Alley Fund	Cemetery Fund	Fire Cash Fund	Police Donation Fund	Police Reserve Fund	Total
<b>ASSETS</b>						
Cash, including time deposits	\$13,966	\$29,079	\$407	\$10,077	\$120	\$53,649
Taxes Receivable	1,528	--	--	--	--	\$1,528
Total assets	<u>15,494</u>	<u>29,079</u>	<u>407</u>	<u>10,077</u>	<u>120</u>	<u>\$55,177</u>
<b>LIABILITIES</b>						
Accounts payable	--	--	--	--	--	--
Due component unit	231	--	--	--	--	\$231
Total liabilities	<u>231</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>\$231</u>
<b>FUND BALANCES</b>						
Restricted	15,263	29,079	407	10,077	120	\$54,946
Total fund balances	<u>15,263</u>	<u>29,079</u>	<u>407</u>	<u>10,077</u>	<u>120</u>	<u>54,946</u>
Total liabilities and fund balances	<u>\$15,494</u>	<u>\$29,079</u>	<u>\$407</u>	<u>\$10,077</u>	<u>\$120</u>	<u>\$55,177</u>

**TOWN OF KANSAS, OKLAHOMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011**

	Special Revenue Funds					Total Non-Major Governmental Funds
	Street and Alley Fund	Cemetery Fund	Fire Cash Fund	Police Donation Fund	Police Reserve Fund	
<b>Revenues</b>						
Taxes	\$6,673	\$ --	\$ --	\$ --	\$ --	\$6,673
Grants and contributions	\$774	1,100	7,977	\$16,254	--	26,105
Interest	6	13	1	8	--	28
Miscellaneous	--	2,617	1,435	--	176	4,228
<b>Total revenues</b>	<u>7,453</u>	<u>3,730</u>	<u>9,413</u>	<u>16,262</u>	<u>176</u>	<u>37,034</u>
<b>Expenditures</b>						
Police	--	--	--	--	158	158
Fire	--	--	10,678	--	--	10,678
Cemetery	--	3,567	--	--	--	3,567
Streets	5,165	--	--	--	--	5,165
Capital outlay	--	--	--	23,597	--	23,597
<b>Total expenditures</b>	<u>5,165</u>	<u>3,567</u>	<u>10,678</u>	<u>23,597</u>	<u>158</u>	<u>43,165</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>2,288</u>	<u>163</u>	<u>(1,265)</u>	<u>(7,335)</u>	<u>18</u>	<u>(6,131)</u>
<b>Other financing sources (uses)</b>						
Fund transfers	--	--	1,400	--	--	1,400
<b>Net changes in fund balances</b>	2,288	163	135	(7,335)	18	(4,731)
Fund balances - beginning	12,975	28,916	272	17,412	102	59,677
<b>Fund balances - ending</b>	<u>\$15,263</u>	<u>\$29,079</u>	<u>\$407</u>	<u>\$10,077</u>	<u>\$120</u>	<u>\$54,946</u>

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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*

To The Honorable Mayor and Board of Directors  
Town of Kansas  
Kansas Public Works Authority  
Town of Kansas, Delaware County, Oklahoma

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kansas, State of Oklahoma as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Kansas, State of Oklahoma's internal control over financial reporting (internal control) 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 Town of Kansas, State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Kansas, State of Oklahoma's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies reported as items 2010-1 and 2010-2 in the attached Schedule of Findings and Responses to be significant deficiencies in the Town of Kansas, State of Oklahoma's internal control.

These findings were previously identified in the Town of Kansas, State of Oklahoma's audit conducted for the fiscal period ending June 30, 2010 and could not be addressed and corrected by management during the fiscal 2011 engagement, as the findings were discovered and reported during April 2011 and did not allow sufficient time to address these issues.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town of Kansas'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*.

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

*Wingard, Ragsdale & Langley, CPAs, PLLC*

**WINGARD, RAGSDALE & LANGLEY**  
*CERTIFIED PUBLIC ACCOUNTANTS, PLLC*

**JUNE 8, 2012**

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## SCHEDULE OF FINDINGS AND RESPONSES

The following report represents findings as reported in the Town of Kansas, State of Oklahoma's *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* for the period ending June 30, 2010 and provides updates for these items as reported in the same report for the period ending June 30, 2011. These findings were previously identified in the Town of Kansas, State of Oklahoma's audit conducted for the fiscal period ending June 30, 2010 and could not be addressed and corrected by management during the fiscal 2011 engagement, as the findings were discovered and reported during April 2011 and did not allow sufficient time to address these issues.

**2010-1 Segregation of duties** – Inherent in small municipal entities is the challenge to properly segregate duties. During our review of controls surrounding the Public Work Authority, we noted only one person is responsible for processing customer billings associated with utility services. Without segregation of these duties, or at minimum the reconciliation of billings to cash collections, the potential for mismanagement of these funds is present. We recommend someone outside the billing process reconcile the customer billing register to the deposits made in the Public Works operating bank account to ensure all payments received have been properly deposited in the bank account.

Response:

Ronald G. Kolker, CPA - I believe this is advisable.

**UPDATE: CONTROL DEFICIENCY STILL PRESENT.**

**2010-2 Capital Contributions** – During the fiscal period ending June 30, 2010, the Town received a contribution of three vehicles to the Police Department; however, these items were not recognized in the financial statements of the Town. During our auditing procedures, we determined these amounts to be immaterial to the financial statements. Not recognizing these contributions can result in inaccurate financial reporting. Because the Town relies on an outside consultant to perform its financial reporting function, we recommend reporting all donations to the consultant to ensure these amounts are properly reflected in the accounting records.

Response:

Ronald G. Kolker, CPA - I considered it immaterial at the time.

**UPDATE: CONTROL DEFICIENCY STILL PRESENT.**