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FOR**

TOWN OF KANSAS, OKLAHOMA

FINANCIAL STATEMENTS

JUNE 30, 2013

**LANGLEY & LITTLEFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
PRYOR, OKLAHOMA**

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JUNE 30, 2013**

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LANGLEY & LITTLEFIELD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
Town of Kansas and Kansas Public Works
Kansas, 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 the Town of Kansas and Kansas Public Works, State Oklahoma as of and for the year ended June 30, 2013, which collectively comprise the Town of Kansas and Kansas Public Works' basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

OPINIONS

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 and Kansas Public Works, State of Oklahoma, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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 14 and page 51 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kansas and Kansas Public Works, State of Oklahoma's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2013, on our consideration of the Town of Kansas and Kansas Public Works, State of Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Kansas and Kansas Public Works, State of Oklahoma's internal control over financial reporting and compliance.



LANGLEY & LITTLEFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
PRYOR, OKLAHOMA

April 28, 2014

**TOWN OF KANSAS, OKLAHOMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
JUNE 30, 2013**

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, 2013. It should be read in conjunction with the accompanying basic financial statements.

WHO WE ARE

As of June 30, 2013 the mayor, council members, clerk and treasurer, all of whom are elected, consisted of the following:

Mayor	Jack Stonecipher
Council Member	Sonya Ferguson Ardell Porter
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, 2013 by \$2,381,174 as reflected in Statement 1. This excess, together with a comparison to the prior year, is summarized as follows:

	June 30, <u>2013</u>	June 30, <u>2012</u>
Invested in capital assets, net of related debt	\$1,953,167	\$1,844,413
Restricted for debt service	45,265	45,246
Restricted for specific purposes	95,631	96,898
Unrestricted	<u>287,111</u>	<u>327,147</u>
	<u>\$2,381,174</u>	<u>\$2,313,704</u>

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

	June 30, <u>2013</u>	June 30, <u>2012</u>
Fire Department	\$ 37,534	\$ 38,552
Street Department	20,827	16,780
Cemetery Operations	26,873	26,381
Police Department	<u>10,397</u>	<u>15,185</u>
	<u>\$ 95,631</u>	<u>\$ 96,898</u>

- The Town's (including the PWA) net position increased \$67,470 during the year. The breakdown of the increase was as follows:

Invested in capital assets, net of related debt	\$ 108,754
Restricted	(1,248)
Unrestricted	<u>(40,036)</u>
	<u>\$ 67,470</u>

- The increase in invested in capital assets, net of related debt for the year is summarized below, including the reasons therefore.

	Town of <u>Kansas</u>	Kansas <u>PWA</u>
Assets acquired	\$ 37,499	\$ 167,950
Depreciation	(75,831)	(88,310)
(Increase) decrease in long-term debt	<u>28,648</u>	<u>38,798</u>
	<u>\$(9,684)</u>	<u>\$ 118,438</u>

The unrestricted net assets decreased \$40,036. The Town increased \$4,680 while the PWA decreased \$44,716. This decrease is mainly attributable to the acquisition of assets and the reduction of long-term debt. The increase in the Town was \$45,245 less than the prior year. The principal reason for this was a decrease in police fines of \$35,575 while its expenses increased \$12,463.

The increase in sales tax revenues was due to two new retail businesses that started in the fall of 2011, thus providing a full year of such revenues for the year ending June 30, 2013.

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*. 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 \$2,381,174 at the close of the current fiscal year.

As shown on Table 1, the largest portion of the Town's net assets, \$1,953,167 (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, 2013, 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, 2013 and 2012 and changes in net position for each of those years:

TABLE 1
SUMMARY OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 323,779	\$ 263,942	\$ 149,252	\$ 259,835	\$ 473,031	\$ 523,777
Capital assets	668,672	707,004	1,788,124	1,639,821	2,456,796	2,346,825
Restricted assets	--	--	74,125	71,946	74,125	71,946
Inventory	<u>--</u>	<u>--</u>	<u>23,212</u>	<u>91,875</u>	<u>23,212</u>	<u>91,875</u>
Total assets	<u>992,451</u>	<u>970,946</u>	<u>2,034,713</u>	<u>2,063,477</u>	<u>3,027,164</u>	<u>3,034,423</u>
Current and other						
Liabilities	102,653	49,745	53,025	117,659	155,678	167,404
Long-term liabilities	<u>52,840</u>	<u>77,972</u>	<u>437,472</u>	<u>475,343</u>	<u>490,312</u>	<u>553,315</u>
Total liabilities	<u>155,493</u>	<u>127,717</u>	<u>490,497</u>	<u>593,002</u>	645,990	<u>720,719</u>
Net assets						
Invested in capital assets, net of related debt	590,476	600,160	1,362,691	1,244,253	1,953,167	1,844,413
Restricted for debt service	--	--	45,265	45,246	45,265	45,246
Other restricted	95,631	96,898	--	--	95,631	96,898
Unrestricted	<u>150,851</u>	<u>146,171</u>	<u>136,260</u>	<u>180,976</u>	<u>287,111</u>	<u>327,147</u>
Total net position	<u>\$ 836,958</u>	<u>\$ 843,229</u>	<u>\$1,544,216</u>	<u>\$1,470,475</u>	<u>\$2,381,174</u>	<u>\$2,313,704</u>

(Unaudited)

**TABLE 2
CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues						
Charges for services	\$ 66,377	\$ 99,665	\$ 260,511	\$ 228,642	\$ 326,888	\$ 328,307
Operating grants and contributions	12,802	19,177	--	--	12,802	19,177
Capital grants and contributions	19,184	5,000	102,570	143,771	121,754	148,771
General revenues						
Sales tax	199,779	184,394	69,827	60,863	269,606	245,257
Other taxes	47,764	54,241	--	--	47,764	54,241
Other general revenues	<u>2,989</u>	<u>(18,389)</u>	<u>67</u>	<u>23,249</u>	<u>3,056</u>	<u>4,860</u>
Total revenues	<u>348,895</u>	<u>344,088</u>	<u>432,975</u>	<u>456,525</u>	<u>781,870</u>	<u>800,613</u>
Expenses						
Administrative and Accounting	89,527	102,384	--	--	89,527	102,384
Public safety	235,583	242,657	--	--	235,583	242,657
Street	5,404	7,124	--	--	5,404	7,124
Cultural, recreation and library	24,652	16,949	--	--	24,652	16,949
Utilities	<u>--</u>	<u>--</u>	<u>359,234</u>	<u>298,960</u>	<u>359,234</u>	<u>298,960</u>
Total expenses	<u>355,166</u>	<u>369,114</u>	<u>359,234</u>	<u>298,960</u>	<u>714,400</u>	<u>668,074</u>
Increase (decrease) in net position	<u><u>\$ (6,271)</u></u>	<u><u>\$ (25,026)</u></u>	<u><u>\$ 73,741</u></u>	<u><u>\$ 157,565</u></u>	<u><u>\$ 67,470</u></u>	<u><u>\$ 132,539</u></u>

Governmental Activities. Governmental activities decreased the Town's net position by \$6,271 for the current fiscal year compared to a decrease of \$25,026 in the prior year.

Following is the increase (decrease) in fund balances of all governmental funds:

General Fund	\$ 4,680
Countywide Fire Department Fund	(3,374)
Street & Alley Fund	4,047
Cemetery Fund	492
Fire Cash Fund	2,356
Police Donation Fund	(4,692)
Police Reserve Fund	(96)

Business-type Activities. Business-type activities, i.e. the Kansas Public Works Authority, had an increase in net assets of \$73,741. Unrestricted went down \$44,716 and invested in capital assets, net of depreciation increased by \$118,438. Depreciation was \$88,310. The reasons for the changes have already been discussed.

(Unaudited)

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 \$150,851, constituting 100% of the fund balance, which was \$4,680 or 3% more than the prior year's General Fund balance.

Countywide Fire Department Fund

This fund pays for most of the operating expenses of the Fire Department in addition to paying \$28,475 annually on a note for the fire truck and a new note on a pumper. Note 3G to the Financial Statements presents detail on these two notes.

Kansas Public Works Authority

The Authority's net profit was \$73,741 in the current year compared to a \$157,565 profit in the prior year. Although operating revenues increased \$28,569, operating expenses (mainly repairs and supplies) increased \$58,262, grant income decreased \$41,201 and a gain on insurance settlement of \$23,151 was reported in the prior year.

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, 2013**

<u>Category</u>	<u>Budgeted Amounts</u>		<u>Actual (Budget Basis)</u>	<u>Variance Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
Revenue				
Sales tax	\$ 102,775	\$ 102,775	\$ 137,037	\$ 34,262
All other taxes	28,590	28,590	24,773	(3,817)
All other revenues	<u>101,706</u>	<u>101,706</u>	<u>76,006</u>	<u>(25,700)</u>
Total revenues	<u>233,071</u>	<u>233,071</u>	<u>237,816</u>	<u>4,745</u>
Expenditures				
Personal services	170,000	170,000	131,506	38,494
Maintenance and operation	130,000	130,000	98,043	31,957
Capital outlay	<u>50,068</u>	<u>50,068</u>	<u>21,602</u>	<u>28,466</u>
Total expenditures	<u>350,068</u>	<u>350,068</u>	<u>251,151</u>	<u>98,917</u>
Total excess (deficiency) of revenues over expenditures	(116,997)	(116,997)	(13,335)	103,662
Beginning fund balance	<u>116,997</u>	<u>116,997</u>	<u>116,997</u>	<u>--</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 103,662</u>	<u>\$ 103,662</u>

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 increased 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 fund balance for budget purposes decreased by \$13,335.

(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets as of June 30, 2013 amounted to \$2,456,796 compared to \$2,346,825 in the previous year. 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 July 1, 2003.

TABLE 4
CAPITAL ASSETS (NET OF DEPRECIATION)
June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Land and easements	\$ 165,452	\$ 7,500	\$ 172,952
Buildings	238,246	3,356	241,602
Machinery and equipment	209,037	53,830	262,867
Utility property	--	1,723,438	1,723,438
Infrastructure	55,937	--	55,937
Work in progress	<u> --</u>	<u> --</u>	<u> --</u>
Capital assets, net	<u>\$ 668,672</u>	<u>\$1,788,124</u>	<u>\$2,456,796</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 generally decreased \$22,620 from the prior year due to police fines decreasing \$35,575. Management feels that most tax revenues will remain about the same.

The Kansas Public Works Authority now reflects a profit due to increased sales tax and a prior raise in utility revenues.

(Unaudited)

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 POSITION
JUNE 30, 2013**

Statement 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash, including time deposits	\$ 238,406	\$ 47,022	\$ 285,428
Deposit with county	23,675	--	23,675
Cash in escrow	2,044	2,044	4,088
Taxes receivable	41,283	12,637	53,920
Accounts receivable (net)	3,547	22,144	25,691
Due from primary government	--	65,405	65,405
Grants receivable	<u>14,824</u>	<u>--</u>	<u>14,824</u>
Total current assets	<u>323,779</u>	<u>149,252</u>	<u>473,031</u>
Noncurrent assets:			
Restricted assets:			
Cash, including time deposits	--	70,237	70,237
Due from general operations	--	3,888	3,888
Capital assets (net)	668,672	1,788,124	2,456,796
Inventory	<u>--</u>	<u>23,212</u>	<u>23,212</u>
Total noncurrent assets	<u>668,672</u>	<u>1,885,461</u>	<u>2,554,133</u>
Total assets	<u>992,451</u>	<u>2,034,713</u>	<u>3,027,164</u>
LIABILITIES			
Current liabilities			
Accounts payable	11,892	5,342	17,234
Accrued expenses	--	3,762	3,762
Current portion of long-term debt	25,356	40,033	65,389
Due to component unit	65,405	--	65,405
Due to restricted assets	<u>--</u>	<u>3,888</u>	<u>3,888</u>
Total current liabilities	<u>102,653</u>	<u>53,025</u>	<u>155,678</u>
Noncurrent liabilities:			
Customer deposits payable from restricted assets	--	28,860	28,860
Long-term debt	<u>52,840</u>	<u>408,612</u>	<u>461,452</u>
Total noncurrent liabilities	<u>52,840</u>	<u>437,472</u>	<u>490,312</u>
Total liabilities	<u>155,493</u>	<u>490,497</u>	<u>645,990</u>
NET POSITION			
Invested in capital assets, net of related debt	590,476	1,362,691	1,953,167
Restricted for specific purposes	95,631	--	95,631
Restricted for debt service	--	45,265	45,265
Unrestricted	<u>150,851</u>	<u>136,260</u>	<u>287,111</u>
Total net position	<u>\$ 836,958</u>	<u>\$1,544,216</u>	<u>\$2,381,174</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, 2013

	<u>Program Revenues</u>				Net (Expense) Revenue
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
General government					
Administrative and Accounting	\$ 89,527	\$ --	\$ --	\$ 14,824	\$ (74,703)
Total general government	<u>89,527</u>	<u>--</u>	<u>--</u>	<u>14,824</u>	<u>(74,703)</u>
Public safety and judiciary					
Police and Court	144,993	59,658	--	4,360	(80,975)
Fire	<u>90,590</u>	<u>4,319</u>	<u>11,802</u>	<u>--</u>	<u>(74,469)</u>
Total public safety and Judiciary	<u>235,583</u>	<u>63,977</u>	<u>11,802</u>	<u>4,360</u>	<u>(155,444)</u>
Transportation					
Street	<u>5,404</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(5,404)</u>
Total transportation	<u>5,404</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(5,404)</u>
Cultural, parks and recreation					
Library	8,180	--	--	--	(8,180)
Cemetery	10,432	2,400	1,000	--	(7,032)
Parks	<u>6,040</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(6,040)</u>
Total cultural, parks and recreation	<u>24,652</u>	<u>2,400</u>	<u>1,000</u>	<u>--</u>	<u>(21,252)</u>
Total governmental activities	<u>355,166</u>	<u>66,377</u>	<u>12,802</u>	<u>19,184</u>	<u>(256,803)</u>
Business-type activities:					
Water	258,648	189,801	--	102,570	33,723
Sewer	<u>100,586</u>	<u>70,710</u>	<u>--</u>	<u>--</u>	<u>(29,876)</u>
Total business-type activities	<u>359,234</u>	<u>260,511</u>	<u>--</u>	<u>102,570</u>	<u>3,847</u>
Total	<u>\$ 714,400</u>	<u>\$ 326,888</u>	<u>\$ 12,802</u>	<u>\$ 121,754</u>	<u>\$(252,956)</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, 2013**

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) /revenue	\$(256,803)	\$ 3,847	\$(252,956)
General Revenues			
Taxes:			
Sales tax	199,779	69,827	269,606
Use tax	13,427	--	13,427
Alcohol beverage tax	8,415	--	8,415
Gasoline tax	1,333	--	1,333
Motor vehicle tax	5,886	--	5,886
Franchise taxes	16,050	--	16,050
Cigarette tax	2,653	--	2,653
Investment income	173	67	240
Miscellaneous	<u>2,816</u>	<u>--</u>	<u>2,816</u>
Total general revenues	<u>250,532</u>	<u>69,894</u>	<u>320,426</u>
Change in net position	(6,271)	73,741	67,470
Net position - beginning	<u>843,229</u>	<u>1,470,475</u>	<u>2,313,704</u>
Net position - ending	<u>\$ 836,958</u>	<u>1,544,216</u>	<u>\$2,381,174</u>

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

**TOWN OF KANSAS, OKLAHOMA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General Fund</u>	<u>County- Wide Fire Department Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash, including time deposits	\$ 169,847	\$ --	\$ 68,559	\$ 238,406
Deposits with county	--	23,675	--	23,675
Cash in escrow	2,044	--	--	2,044
Taxes receivable	28,818	11,175	1,290	41,283
Accounts receivable - franchises	3,547	--	--	3,547
Due from other funds	9,068	--	--	9,068
Grant receivable	<u>14,824</u>	<u>--</u>	<u>--</u>	<u>14,824</u>
Total assets	<u>\$ 228,148</u>	<u>\$ 34,850</u>	<u>\$ 69,849</u>	<u>\$ 332,847</u>
LIABILITIES				
Accounts payable	\$ 11,892	\$ --	\$ --	\$ 11,892
Due to component unit	65,405	--	--	65,405
Due other funds	<u>--</u>	<u>--</u>	<u>9,068</u>	<u>9,068</u>
Total liabilities	<u>77,297</u>	<u>--</u>	<u>9,068</u>	<u>86,365</u>
FUND BALANCES				
Restricted	--	34,850	60,781	95,631
Unassigned	<u>150,851</u>	<u>--</u>	<u>--</u>	<u>150,851</u>
Total fund balance	<u>150,851</u>	<u>34,850</u>	<u>60,781</u>	246,482
Total liabilities and fund balances	<u>\$ 228,148</u>	<u>\$ 34,850</u>	<u>\$ 60,781</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 \$592,481. \$ 668,672

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 (25,356)
Due in more than one year (52,840)

Net position of governmental activities \$ 836,958

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, 2013

	<u>General Fund</u>	<u>County- Wide Fire Department Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Sales tax	\$ 139,655	\$ 60,124	\$ --	\$ 199,779
Other taxes	24,235	--	7,219	31,454
Fines and forfeits	59,658	--	--	59,658
Franchise taxes	16,050	--	--	16,050
Interest	80	52	41	173
Miscellaneous	595	--	9,200	9,795
Grants and contributions	<u>14,824</u>	<u>--</u>	<u>17,162</u>	<u>31,986</u>
Total revenues	<u>255,097</u>	<u>60,176</u>	<u>33,622</u>	<u>348,895</u>
EXPENDITURES				
Current				
General government				
Administrative & accounting	<u>84,973</u>	<u>--</u>	<u>--</u>	<u>84,973</u>
Total general government	<u>84,973</u>	<u>--</u>	<u>--</u>	<u>84,973</u>
Public safety and judiciary:				
Police and court	124,500	--	96	124,596
Fire	<u>1,860</u>	<u>29,203</u>	<u>11,468</u>	<u>42,531</u>
Total public safety and judiciary	<u>126,360</u>	<u>29,203</u>	<u>11,564</u>	<u>167,127</u>
Transportation				
Street	<u>--</u>	<u>--</u>	<u>2,162</u>	<u>2,162</u>
Total transportation	<u>--</u>	<u>--</u>	<u>2,162</u>	<u>2,162</u>
Cultural, parks and recreation				
Library	6,775	--	--	6,775
Cemetery	5,888	--	2,921	8,809
Parks	<u>4,818</u>	<u>--</u>	<u>--</u>	<u>4,818</u>
Total cultural, parks and recreation	<u>17,481</u>	<u>--</u>	<u>2,921</u>	<u>20,402</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, 2013**

	<u>General Fund</u>	<u>County- Wide Fire Department Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Debt service				
Principal	\$ 4,763	\$ 23,885	\$ --	\$ 28,648
Interest and other charges	81	4,590	--	4,671
Capital outlay	<u>16,759</u>	<u>5,872</u>	<u>14,868</u>	<u>37,499</u>
Total expenditures	<u>250,417</u>	<u>63,550</u>	<u>31,515</u>	<u>345,482</u>
Excess (deficiency) of revenues over expenditures	<u>4,680</u>	<u>(3,374)</u>	<u>2,107</u>	<u>3,413</u>
Other financing sources (uses)				
Fund transfers	--	--	--	--
Net changes in fund balances	4,680	(3,374)	2,107	3,413
Fund balances - beginning	<u>146,171</u>	<u>38,224</u>	<u>58,674</u>	<u>243,069</u>
Fund balances - ending	<u>\$ 150,851</u>	<u>\$ 34,850</u>	<u>\$ 60,781</u>	<u>\$ 246,482</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>3,413</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:				
Capital asset purchase capitalized				37,499
Depreciation expense				<u>(75,831)</u>
				<u>(38,332)</u>
Governmental funds report payment of long-term debt as expenditures while the statement of net assets reflects a decrease in such debt				<u>28,648</u>
				<u>\$(6,271)</u>

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

**TOWN OF KANSAS, OKLAHOMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
KANSAS PUBLIC WORKS AUTHORITY
JUNE 30, 2013**

ASSETS

Current assets

Cash and cash equivalents	\$ 47,022
Cash in escrow	2,044
Accounts receivable	22,144
Taxes receivable	12,637
Due from Town of Kansas	<u>65,405</u>

Total current assets 149,252

Noncurrent assets:

Restricted assets	
Cash and cash equivalents	70,237
Due from general obligations	3,888
Capital assets (net)	1,788,124
Inventory	<u>23,212</u>

Total noncurrent assets 1,885,461

Total assets 2,034,713

LIABILITIES

Current liabilities

Accounts payable	5,342
Accrued expenses	3,762
Current portion of long-term debt	40,033
Due to restricted assets	<u>3,888</u>

Total current liabilities 53,025

Noncurrent liabilities

Customers' meter deposits (payable from restricted assets)	28,860
Long-term debt	<u>408,612</u>

Total noncurrent liabilities 437,472

Total liabilities 490,497

NET POSITION

Investment in capital assets, net of related debt	1,362,691
Restricted for debt service	45,246
Unrestricted	<u>136,260</u>

Total net position \$1,544,216

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 POSITION
PROPRIETARY FUND
KANSAS PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2013**

Operating revenues	
Utility charges	\$ 249,798
Wages reimbursement	2,317
Miscellaneous	<u>10,713</u>
Total operating revenues	<u>262,828</u>
Operating expenses	
Insurance	14,579
Legal and professional	12,043
Salaries and benefits	107,612
Utilities	30,538
Other expenses	19,893
Repairs, maintenance and supplies	67,605
Depreciation expense	<u>88,310</u>
Total operating expense	<u>340,580</u>
Net operating income (loss)	<u>(77,752)</u>
Nonoperating revenue (expenses)	
Interest expense	(20,971)
Sales tax revenue	69,827
Investment income	67
Grant income	<u>102,570</u>
Total nonoperating revenue (expenses)	<u>151,493</u>
Changes in net position	73,741
Net position - beginning of year	<u>1,470,475</u>
Net position - end of year	<u>\$1,544,216</u>

**TOWN OF KANSAS, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
KANSAS PUBLIC WORKS AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2013**

Cash flows from operating activities:	
Receipts from customers	\$ 265,975
Payments to suppliers	(149,994)
Payments to employees and benefits	(109,631)
Receipts (deficits) over refunds of customer meter deposits	<u>2,160</u>
Net cash provided (used) by operating activities	<u>8,510</u>
Cash flows from noncapital financing activities:	
Sales tax	68,518
Activities with Town of Kansas	<u>(53,429)</u>
	<u>15,089</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(38,798)
Interest paid	(21,011)
Purchase of capital assets	(231,136)
Grant receipts	<u>165,736</u>
Net cash provided (used) by capital and related financing activities	<u>(125,209)</u>
Cash flows from investing activities	
Interest	<u>67</u>
Net cash provided (used) by investing activities	<u>67</u>
Net increase (decrease) in cash and cash equivalents	(101,543)
Balances - beginning of the year	<u>218,802</u>
Balances - end of the year	<u>\$ 117,259</u>
Cash, including time deposits	47,022
Restricted cash, including time deposits	<u>70,237</u>
Total cash and cash equivalents, end of year	<u>\$ 117,259</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, 2013**

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

Operating income (loss)	(77,752)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows in other categories:	
Depreciation expense	88,310
Change in assets and liabilities:	
Receivables and cash in escrow	3,037
Accounts payable	(4,766)
Accrued expenses	<u>(49)</u>
	<u>\$ 8,780</u>

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

**TOWN OF KANSAS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
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TOWN OF KANSAS, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

Component Unit	Brief Description/Inclusion Criteria	Reporting
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 has no capital project 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:

Fund	Brief Description
Major:	
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.
Non major:	
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

Police Donation Fund

Donations and expenditures for the Police Department

Police Reserve Fund

This Fund was closed our during the year.

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 have recorded at their estimated fair value at the date of donation.

As of June 30, 2013, the governmental funds' infrastructure assets have not been capitalized, other than on a prospective basis, which, in accordance with GASB 34, is proper.

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:

Fund	Required By
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, 2013, 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, 2013, 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, 2013.

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, 2013. 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.

Carrying Type of Deposits	Total Bank Balance	Custody <u>1</u>	Credit Risk <u>2</u>	Category <u>3</u>	Total Book Balance Value
Demand deposits	<u>\$360,608</u>	<u>\$360,608</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$355,665</u>
Time deposits					
Reconciliation to Government-wide Statement of Net Assets:					
Unrestricted cash, including time deposits				\$285,428	
Restricted cash, including time deposits					<u>70,237</u>
					<u>\$355,665</u>

3.B. RESTRICTED ASSETS

The following is a summary of the restricted assets:

Business Activities

Reservation of retained earnings	
Reserve for debt retirement	<u>\$ 45,265</u>
Liabilities	
Liability for customer meter deposits	
Cash	24,972
Due from general operations	<u>3,888</u>
	<u>28,860</u>
Total restricted assets	<u>\$ 74,125</u>

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, 2013, this reserve was fully funded with an excess of \$85.

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, 2013, was as follows:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfer</u>	<u>Balance at June 30, 2013</u>
Governmental activities:					
Land	\$ 165,452	\$ --	\$ --	\$ --	\$ 165,452
Buildings	375,041	16,759	--	--	391,800
Machinery and equipment	697,608	20,740	--	--	718,348
Infrastructure	<u>61,384</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>61,384</u>
Totals at historical cost	<u>1,299,485</u>	<u>37,499</u>	<u>--</u>	<u>--</u>	<u>1,336,984</u>
Less accumulated depreciation					
Buildings	(144,437)	(9,117)	--	--	(153,554)
Machinery and equipment	(444,448)	(64,863)	--	--	(509,311)
Infrastructure	<u>(3,596)</u>	<u>(1,851)</u>	<u>--</u>	<u>--</u>	<u>(5,447)</u>
Total accumulated depreciation	<u>(592,481)</u>	<u>(75,831)</u>	<u>--</u>	<u>--</u>	<u>(668,312)</u>
Governmental activities capital assets, net	<u>\$ 707,004</u>	<u>\$(38,332)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 668,672</u>
Business-type activities:					
Land	7,500	--	--	--	7,500
Buildings	13,007	--	--	--	13,007
Machinery and equipment	113,425	1,725	--	--	115,150
Utility property	3,261,186	234,888	--	15,724	3,511,798
Work in progress	<u>15,724</u>	<u>--</u>	<u>--</u>	<u>(15,724)</u>	<u>--</u>
Totals at historical cost	<u>3,410,842</u>	<u>236,613</u>	<u>--</u>	<u>--</u>	<u>3,647,455</u>
Less accumulated depreciation:					
Buildings	(9,289)	(362)	--	--	(9,651)
Machinery and equipment	(53,842)	(7,478)	--	--	(61,320)
Utility property	<u>(1,707,890)</u>	<u>(80,470)</u>	<u>--</u>	<u>--</u>	<u>(1,788,360)</u>
Total accumulated depreciation	<u>(1,771,021)</u>	<u>(88,310)</u>	<u>--</u>	<u>--</u>	<u>(1,859,331)</u>
Business-type capital assets, net	<u>\$ 1,639,821</u>	<u>\$ 148,303</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,788,124</u>

* Depreciation expense was charged to governmental activities as follows:

General government:	
Administrative and accounting	<u>\$ 4,554</u>
Total general government	<u>4,554</u>
Public safety and judiciary:	
Police	20,316
Fire	<u>43,469</u>
Total public safety and judiciary	<u>63,785</u>
Streets	<u>3,242</u>
Cultural, parks and recreation:	
Library	1,405
Cemetery	1,623
Parks	<u>1,222</u>
Total cultural, parks and recreation	<u>4,250</u>
Total depreciation expense	<u>\$ 75,831</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 \$900 of water meters purchased that were not installed and \$22,312 of pipe donated by an organization in the prior year. 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, 2013:

Debt outstanding, July 1, 2012	\$106,844
Additions	--
Retirements	<u>(28,648)</u>
 Debt outstanding, June 30, 2013	 <u>\$ 78,196</u>
 Amount due within one year	 <u>\$ 25,356</u>

	<u>Debt Outstanding June 30, 2013</u>	<u>Due Within One Year</u>
Lease with a purchase option on a fire truck dated February 9, 2012 in the amount of \$139,820 payable in annual installments of \$17,861.94 including 4.72% interest	\$ 63,752	\$ 14,853
Lease with purchase option on a fire pumper dated December 13, 2012 in the amount of \$30,174 payable in monthly installments of \$884.39, including 3.5% interest	<u>14,444</u>	<u>10,503</u>
	78,196	<u>\$ 25,356</u>
Less current portion	<u>25,356</u>	
Long-term portion	<u>\$ 52,840</u>	

Principal and interest until maturity is as follows:

	<u>Interest</u>	<u>Principal</u>
Year ended June 30, 2014	3,343	25,356
Year ended June 30, 2015	2,340	19,495
Year ended June 30, 2016	1,574	16,288
Year ended June 30, 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, 2013.

Debt outstanding July 1, 2012	487,443
Additions	--
Retirements	<u>(38,798)</u>
 Debt outstanding June 30, 2013	 <u>\$448,645</u>
 Amount due in one year	 <u>\$ 40,033</u>

Notes and bonds payable at June 30, 2013 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>
Rural Development Administration, formerly Farmer's Home Administration					
92-03	5.00 %	2,029	monthly	\$ 239,571	\$ 12,657
92-08	5.00 %	816	monthly	84,593	5,692
91-05	6.125%	474	monthly	39,598	3,356
91-06	5.00 %	380	monthly	<u>34,423</u>	<u>2,905</u>
				398,185	24,610
Oklahoma Department of Commerce					
	.00%	729	monthly	41,562	8,750
Kubota Credit Corporation					
	.00%	556	monthly	<u>8,898</u>	<u>6,673</u>
				448,645	<u>40,033</u>
Less: Current Portion				<u>(40,033)</u>	
Long-term Portion				<u>\$ 408,612</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, 2014	19,778	40,033
Year ended June 30, 2015	18,479	36,883
Year ended June 30, 2016	17,112	36,026
Year ended June 30, 2017	15,671	37,467
Year ended June 30, 2018	14,154	36,795
5 years ended June 30, 2023	45,195	169,323
4 years ended June 30, 2027	7,921	92,118

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 2012-2013 Plan Contributions

Employee contribution rate as a percentage of pay	1.50%
Municipality-required contribution rate as a percentage pay	2.92%
Total required contribution rate	4.42%

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	\$ 55,022
Active employees (5)	<u>39,624</u>
Total	\$ 94,646
Assets (actuarial value as of 1/1/2013)	<u>68,389</u>
Unfunded actuarial liability	<u>\$ 26,258</u>
Annual amount to amortize the unfunded actuarial liability over 30 years	2,144
Annual normal cost	<u>5,280</u>
Total annual cost	<u>\$ 7,424</u>
Valuation payroll as of 1/1/2013	<u>\$172,203</u>

Required total contribution as a percent of payroll (effective 7/1/2013)	4.31 %
--	--------

4) Development of the Actuarial Value of Assets

Market value of assets as of 1/01/2012	55,909
Actuarial value of assets as of 1/01/2012	59,676
Percent of market value	107%
Contributions	
Employer	5,745
Employee	2,571
Distributions	
	(3,906)
Assumed yield at valuation rate (7.5%)	<u>4.641</u>
Preliminary actuarial value	68,727
Market value of assets at 1/01/2013	63,374
Adjustment	
Total unrecognized investment (gains) and losses	1,015
Minimum actuarial value of assets as of 1/01/2013	
70% of market value	47,162
Maximum actuarial value of assets as of 1/01/2013	
130% of market value	87,586
Actuarial value of assets as of 1/01/2013	68,389
Percent of market value	102%

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, 2013, 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%
1/1/2012	59,676	Actuarial	84,347	EAN	24,671	70.8%	168,065	14.7%
1/1/2013	68,389	Actuarial	94,646	EAN	26,258	72.3%	172,203	15.2%

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 \$1,860.00 for the year ended June 30, 2013.

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, 2013 was as follows:

Total pension benefit obligations (actuarial accrued liability)	\$3,081,900,000
Net assets available for pension benefits, at actuarial value	<u>1,811,700,000</u>
Unfunded actuarial benefit obligation	<u>\$1,270,200,000</u>

The measurement of the total pension benefit obligation is based on actuarial valuation as of July 1, 2013. Net assets available to pay pension benefits were valued as of the same date.

The Town's 2013 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, 2013 as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund		
Kansas PWA	\$ --	\$65,405
General Fund		
Police Donation Fund	9,068	--
Police Donation Fund		
General Fund	--	9,068
Kansas PWA		
General Fund	<u>65,405</u>	<u>--</u>
	<u>\$74,473</u>	<u>\$74,473</u>

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, 2013
(Unaudited)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Beginning budgetary fund balance	<u>\$ 116,997</u>	<u>\$ 116,997</u>	<u>\$ 116,997</u>	<u>\$ --</u>
Resources (inflows)				
Taxes				
Franchise taxes	13,460	13,460	15,672	2,212
Use tax	18,300	18,300	13,427	(4,873)
Sales tax	<u>102,775</u>	<u>102,775</u>	<u>137,037</u>	<u>34,262</u>
Total taxes	<u>134,535</u>	<u>134,535</u>	<u>166,136</u>	<u>31,601</u>
Intergovernmental				
Alcoholic beverage tax	8,080	8,080	8,692	612
Cigarette tax	<u>2,210</u>	<u>2,210</u>	<u>2,654</u>	<u>444</u>
Total intergovernmental	<u>10,290</u>	<u>10,290</u>	<u>11,346</u>	<u>1,056</u>
Fines and forfeitures				
Police fines	<u>86,369</u>	<u>86,369</u>	<u>59,658</u>	<u>(26,711)</u>
Total fines and forfeitures	<u>86,369</u>	<u>86,369</u>	<u>59,658</u>	<u>(26,711)</u>
Investment income	<u>42</u>	<u>42</u>	<u>80</u>	<u>38</u>
Grants and contributions	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Miscellaneous	<u>1,835</u>	<u>1,835</u>	<u>596</u>	<u>(1,239)</u>
Amounts available for appropriation	<u>350,068</u>	<u>350,068</u>	<u>354,813</u>	<u>4,745</u>
Charges to appropriations (outflows)				
Personal services	170,000	170,000	131,506	38,494
Maintenance and operation	130,000	130,000	98,043	31,957
Capital outlay	<u>50,068</u>	<u>50,068</u>	<u>21,602</u>	<u>28,466</u>
Total charges to operations	<u>350,068</u>	<u>350,068</u>	<u>251,151</u>	<u>98,917</u>
Ending budgetary fund balances	<u>\$ --</u>	<u>\$ --</u>	103,662	<u>\$ 103,662</u>
Adjustments to reconcile to balance sheet				
Taxes receivable			28,818	
Accounts receivable			3,547	
Grant receivable			<u>14,824</u>	
Fund Balance			<u>\$ 150,851</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, 2013**

	Special Revenue Funds					
	Street and Alley Fund	Cemetery Fund	Fire Cash Fund	Police Donation Fund	Police Reserve Fund	Total
ASSETS						
Cash, including time deposits	\$19,537	\$26,873	\$2,684	\$19,465	--	\$68,559
Taxes Receivable	1,290	--	--	--	--	1,290
Total assets	<u>20,827</u>	<u>26,873</u>	<u>2,684</u>	<u>19,465</u>	<u>--</u>	<u>69,849</u>
LIABILITIES						
Accounts payable	--	--	--	--	--	--
Due other funds	--	--	--	9,068	--	9,068
Total liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>9,068</u>	<u>--</u>	<u>9,068</u>
FUND BALANCES						
Restricted	<u>20,827</u>	<u>26,873</u>	<u>2,684</u>	<u>10,397</u>	<u>--</u>	<u>60,781</u>
Total fund balances	<u>20,827</u>	<u>26,873</u>	<u>2,684</u>	<u>10,397</u>	<u>--</u>	<u>60,781</u>
Total liabilities and fund balances	<u>\$20,827</u>	<u>\$26,873</u>	<u>\$2,684</u>	<u>\$19,465</u>	<u>--</u>	<u>\$69,849</u>

**TOWN OF KANSAS, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds					Total Non-Major Governmental Funds
	Street and Alley Fund	Cemetery Fund	Fire Cash Fund	Police Donation Fund	Police Reserve Fund	
Revenues						
Taxes	\$7,219	\$ --	\$ --	\$ --	\$ --	\$7,219
Grants and contributions	--	1,000	11,802	\$4,360	--	17,162
Interest	9	13	3	16	--	41
Miscellaneous	731	2,400	6,069	--	--	9,200
Total revenues	<u>7,959</u>	<u>3,413</u>	<u>17,874</u>	<u>4,376</u>	<u>--</u>	<u>33,622</u>
Expenditures						
Police	--	--	--	--	96	96
Fire	--	--	11,468	--	--	11,468
Cemetery	--	2,921	--	--	--	2,921
Streets	2,162	--	--	--	--	2,162
Capital outlay	1,750	--	4,050	9,068	--	14,868
Total expenditures	<u>3,912</u>	<u>2,921</u>	<u>15,518</u>	<u>9,068</u>	<u>96</u>	<u>31,515</u>
Excess (deficiency) of revenues over expenditures	<u>4,047</u>	<u>492</u>	<u>2,356</u>	<u>(4,692)</u>	<u>(96)</u>	<u>2,107</u>
Other financing sources (uses)						
Fund transfers	--	--	--	--	--	--
Net changes in fund balances	4,047	492	2,356	(4,692)	(96)	2,107
Fund balances - beginning	<u>16,780</u>	<u>26,381</u>	<u>328</u>	<u>15,089</u>	<u>96</u>	<u>58,674</u>
Fund balances - ending	<u>\$20,827</u>	<u>\$26,873</u>	<u>\$2,684</u>	<u>\$10,397</u>	<u>\$ --</u>	<u>\$60,781</u>

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

To The Honorable Mayor and Councilors
Town of Kansas and Kansas Public Works Creek
Mayes County, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the comptroller General of the United States, 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 and Kansas Public Works for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Kansas and Kansas Public Works' basic financial statements and have issued our report thereon dated April 28, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Town of Kansas and Kansas Public Works, State of Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Kansas and Kansas Public Works, State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Kansas and Kansas Public Works, State of Oklahoma's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Town of Kansas and Kansas Public Works, State of Oklahoma's financial statements are free from 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*.

TOWN OF KANSAS, STATE OF OKLAHOMA'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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



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PRYOR, OKLAHOMA

APRIL 28, 2014