

CITY OF OAKLEY, KANSAS

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2010

CITY OF OAKLEY, KANSAS
Financial Statements with Independent Auditors' Report
For the Year Ended December 31, 2010

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Oakley, Kansas
Oakley, Kansas

We have audited the accompanying financial statements of **City of Oakley, Kansas**, as of and for the year ended December 31, 2010 as listed in the table of contents. These financial statements are the responsibility of **City of Oakley, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **City of Oakley, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **City of Oakley, Kansas**, as of December 31, 2010, or the changes in financial position for the year then ended. Further, **City of Oakley, Kansas** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Oakley, Kansas**, as of December 31, 2010, their respective cash receipts and disbursements and budgetary results for the year then ended on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

July 25, 2011

CITY OF OAKLEY, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories							
General Fund	\$ 208,784	-	1,902,466	1,673,332	437,918	35,248	473,166
Special Revenue Funds							
Library Fund	3,124	-	137,917	138,568	2,473	4,383	6,856
Special Highway Fund	31,230	-	50,458	41,665	40,023	749	40,772
Special Parks and Recreation Fund	15,156	-	3,733	403	18,486	-	18,486
Convention and Tourism Fund	49,485	-	56,230	58,214	47,501	3,500	51,001
Equipment Reserve Fund	46,468	-	48,000	46,400	48,068	-	48,068
Capital Improvement Fund	1,868,694	-	-	-	1,868,694	-	1,868,694
Debt Service Fund							
Bond and Interest Fund	2,711	-	15,651	13,886	4,476	-	4,476
Capital Project Funds							
CDBG Fund	-	-	47,317	500,000	(452,683)	451,169	(1,514)
Kansas Water PCRF Fund	-	-	183,104	1,436,099	(1,252,995)	1,251,066	(1,929)
Proprietary Fund Category							
Enterprise Funds							
Water Utility Fund	40,653	-	406,337	361,535	85,455	5,702	91,157
Water Reserve Fund	51,783	-	25,000	-	76,783	-	76,783
Electric Utility Fund	100,950	-	157,927	127,253	131,624	7,555	139,179
Electric Reserve Fund	165,282	-	-	-	165,282	-	165,282
Sanitation Utility Fund	176,414	-	668,439	482,325	362,528	4,111	366,639
Sanitation Reserve Fund	88,935	-	40,000	9,380	119,555	-	119,555
Fiduciary Fund Category							
Private Purpose Trust Funds							
Museum Fund	117,399	-	6,089	12,530	110,958	118	111,076
Museum Store Fund	50,468	-	4,830	1,852	53,446	-	53,446
Cemetery Trust Fund	6,500	-	-	-	6,500	-	6,500
Special Law Enforcement Fund	1,248	-	-	490	758	-	758
Total Primary Government	\$ 3,025,284	-	3,753,498	4,903,932	1,874,850	1,763,601	3,638,451

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

CITY OF OAKLEY, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Component Unit Funds							
Library - General Fund	\$ 115,640	-	140,732	136,685	119,687	-	119,687
Library - Capital Improvement Fund	29,764	-	4,574	-	34,338	-	34,338
Library - Flexible Spending Plan Fund	2,475	-	2,195	3,211	1,459	-	1,459
Edna M. Hood Estate Bequest Fund	80,000	-	464	464	80,000	-	80,000
Total Component Unit Funds	<u>227,879</u>	<u>-</u>	<u>147,965</u>	<u>140,360</u>	<u>235,484</u>	<u>-</u>	<u>235,484</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 3,253,163</u>	<u>-</u>	<u>3,901,462</u>	<u>5,044,292</u>	<u>2,110,334</u>	<u>1,763,601</u>	<u>3,873,935</u>

Composition of Cash		
Certificates of Deposits		\$ 3,045,310
Checking Accounts		593,053
Cash on Hand		300
Total Primary Government		<u>3,638,663</u>
Total Component Unit Funds		235,484
Agency Funds per Statement 4		(212)
Total Reporting Entity (Excluding Agency Funds)		<u>\$ 3,873,935</u>

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

CITY OF OAKLEY, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Categories					
General Fund	\$ 1,729,861	-	1,729,861	1,673,332	(56,529)
Special Revenue Funds					
Library Fund	138,568	-	138,568	138,568	-
Special Highway Fund	74,205	-	74,205	41,665	(32,540)
Special Parks and Recreation Fund	15,913	-	15,913	403	(15,510)
Convention and Tourism Fund	94,354	-	94,354	58,214	(36,140)
Debt Service Fund					
Bond and Interest Fund	16,904	-	16,904	13,886	(3,018)
Proprietary Fund Category					
Enterprise Funds					
Water Utility Fund	361,150	17,386	378,536	361,535	(17,001)
Electric Utility Fund	130,450	-	130,450	127,253	(3,197)
Sanitation Utility Fund	495,050	-	495,050	482,325	(12,725)

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

CITY OF OAKLEY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 690,148	727,417	734,941	(7,524)
Delinquent Tax	5,987	7,145	-	7,145
Vehicle Tax	118,860	127,121	120,717	6,404
Sales Tax	178,218	211,498	160,000	51,498
Excise Tax	140	140	-	140
Total Taxes	<u>993,353</u>	<u>1,073,321</u>	<u>1,015,658</u>	<u>57,663</u>
Intergovernmental				
Alcohol-Liquor Distribution	3,495	3,733	3,281	452
FAA Grant	643,792	19,225	-	19,225
State Aid	-	2,700	-	2,700
Total Intergovernmental	<u>647,287</u>	<u>25,658</u>	<u>3,281</u>	<u>22,377</u>
Licenses and Permits				
Franchise Fees	136,179	140,105	90,000	50,105
Permits and Inspections	3,925	4,120	2,500	1,620
Dog Tags and Fees	795	1,175	700	475
Total Licenses and Permits	<u>140,899</u>	<u>145,400</u>	<u>93,200</u>	<u>52,200</u>
Charges for Services				
Sale of Cemetery Lots	6,205	3,773	2,200	1,573
Fines, Forfeitures, and Penalties				
Municipal Court	22,701	47,566	20,000	27,566
Use of Money and Property				
Swimming Pool	27,464	33,656	20,000	13,656
Interest on Investments	49,422	52,325	50,000	2,325
Jail Rent/Dispatch/Prisoner Care	69,805	78,199	65,000	13,199
Airport Revenue	4,349	5,837	3,500	2,337
Total Use of Money and Property	<u>151,040</u>	<u>170,017</u>	<u>138,500</u>	<u>31,517</u>
Transfers In	<u>950,486</u>	<u>385,424</u>	<u>388,000</u>	<u>(2,576)</u>
Miscellaneous				
Reimbursed Expense	33,032	33,099	5,000	28,099
Oil and Crop Revenue	3,926	13,382	6,250	7,132
Miscellaneous	4,550	4,826	-	4,826
Recreation Commission Contributions	6,000	-	-	-
Total Miscellaneous	<u>47,508</u>	<u>51,307</u>	<u>11,250</u>	<u>40,057</u>
Total Cash Receipts	<u>\$ 2,959,479</u>	<u>1,902,466</u>	<u>1,672,089</u>	<u>230,377</u>

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

CITY OF OAKLEY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Expenditures				
General Government				
Personal Services	\$ 479,607	568,007	552,693	15,314
Contractual Services	58,125	54,520	88,729	(34,209)
Commodities	89,550	44,280	69,475	(25,195)
Capital Outlay	18,698	244	-	244
Other Appropriations	-	-	20,000	(20,000)
Principal Payment	640,000	-	-	-
Transfers Out	351,896	-	-	-
Total General Government	<u>1,637,876</u>	<u>667,051</u>	<u>730,897</u>	<u>(63,846)</u>
Police Department				
Personal Services	491,553	514,160	473,035	41,125
Contractual Services	11,867	12,932	39,390	(26,458)
Commodities	43,868	36,602	37,900	(1,298)
Capital Outlay	5,000	-	6,500	(6,500)
Total Police Department	<u>552,288</u>	<u>563,694</u>	<u>556,825</u>	<u>6,869</u>
Fire Department				
Personal Services	17,554	11,500	9,800	1,700
Contractual Services	7,705	8,299	12,100	(3,801)
Commodities	3,313	2,428	6,550	(4,122)
Capital Outlay	-	78	5,000	(4,922)
Total Fire Department	<u>28,572</u>	<u>22,305</u>	<u>33,450</u>	<u>(11,145)</u>
Street Department				
Personal Services	105,449	111,267	86,294	24,973
Commodities	34,498	36,404	14,567	21,837
Capital Outlay	-	1,835	46,000	(44,165)
Total Street Department	<u>139,947</u>	<u>149,506</u>	<u>146,861</u>	<u>2,645</u>
Parks and Cemetery				
Personal Services	160,442	159,122	139,975	19,147
Contractual Services	23,519	11,677	30,053	(18,376)
Commodities	35,107	26,068	36,250	(10,182)
Capital Outlay	3,748	188	2,000	(1,812)
Total Parks and Cemetery	<u>\$ 222,816</u>	<u>197,055</u>	<u>208,278</u>	<u>(11,223)</u>

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

CITY OF OAKLEY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Expenditures (continued)				
Airport Operations				
Contractual Services	\$ 6,313	7,250	9,300	(2,050)
Commodities	26,274	23,035	23,250	(215)
Capital Outlay	265,027	23,771	1,000	22,771
Total Airport Operations	<u>297,614</u>	<u>54,056</u>	<u>33,550</u>	<u>20,506</u>
Civil Defense	<u>-</u>	<u>11,665</u>	<u>12,000</u>	<u>(335)</u>
Non-Operating Expenses				
Transfers Out	<u>-</u>	<u>8,000</u>	<u>8,000</u>	<u>-</u>
Total Expenditures	<u>2,879,113</u>	<u>1,673,332</u>	<u>1,729,861</u>	<u>(56,529)</u>
Cash Receipts Over (Under) Expenditures	80,366	229,134		
Unencumbered Cash - Beginning	<u>128,418</u>	<u>208,784</u>		
Unencumbered Cash - Ending	<u>\$ 208,784</u>	<u>437,918</u>		

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

CITY OF OAKLEY, KANSAS
Library Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 113,840	115,536	116,727	(1,191)
Delinquent Tax	1,039	1,211	-	1,211
Vehicle Tax	20,462	21,146	19,920	1,226
Excise Tax	24	24	-	24
Slider Tax	1,121	-	-	-
Total Cash Receipts	<u>136,486</u>	<u>137,917</u>	<u>136,647</u>	<u>1,270</u>
Expenditures				
Appropriations	133,000	137,043	137,025	18
Neighborhood Revitalization Rebate	2,283	1,525	1,543	(18)
Total Expenditures	<u>135,283</u>	<u>138,568</u>	<u>138,568</u>	<u>-</u>
Cash Receipts Over (Under) Expenditures	1,203	(651)		
Unencumbered Cash - Beginning	<u>1,921</u>	<u>3,124</u>		
Unencumbered Cash - Ending	\$ <u><u>3,124</u></u>	<u><u>2,473</u></u>		

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

CITY OF OAKLEY, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental				
State Aid	\$ 46,826	49,115	52,770	(3,655)
Reimbursed Expense	-	1,343	-	1,343
Total Cash Receipts	<u>46,826</u>	<u>50,458</u>	<u>52,770</u>	<u>(2,312)</u>
Expenditures				
Contractual Services	1,727	2,315	2,500	(185)
Commodities	30,561	38,761	71,705	(32,944)
Capital Outlay	43	589	-	589
Total Expenditures	<u>32,331</u>	<u>41,665</u>	<u>74,205</u>	<u>(32,540)</u>
Cash Receipts Over (Under) Expenditures	14,495	8,793		
Unencumbered Cash - Beginning	<u>16,735</u>	<u>31,230</u>		
Unencumbered Cash - Ending	\$ <u>31,230</u>	<u>40,023</u>		

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

CITY OF OAKLEY, KANSAS
Special Parks and Recreation Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental				
Private Club and Liquor Tax	\$ 3,495	3,733	3,281	452
Reimbursed Expense	750	-	-	-
Total Cash Receipts	4,245	3,733	3,281	452
Expenditures				
Capital Outlay	721	403	15,913	(15,510)
Cash Receipts Over (Under) Expenditures	3,524	3,330		
Unencumbered Cash - Beginning	11,632	15,156		
Unencumbered Cash - Ending	\$ 15,156	18,486		

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

CITY OF OAKLEY, KANSAS
Convention and Tourism Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Intergovernmental				
Transient Guest Tax	\$ 30,567	55,654	40,000	15,654
Reimbursed Expense	1,200	576	-	576
Total Cash Receipts	<u>31,767</u>	<u>56,230</u>	<u>40,000</u>	<u>16,230</u>
Expenditures				
Contractual Services	4,000	6,000	-	6,000
Commodities	25,613	32,714	39,000	(6,286)
Capital Outlay	-	3,500	55,354	(51,854)
Transfers Out	-	16,000	-	16,000
Total Expenditures	<u>29,613</u>	<u>58,214</u>	<u>94,354</u>	<u>(36,140)</u>
Cash Receipts Over (Under) Expenditures	2,154	(1,984)		
Unencumbered Cash - Beginning	<u>47,331</u>	<u>49,485</u>		
Unencumbered Cash - Ending	\$ <u>49,485</u>	<u>47,501</u>		

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

CITY OF OAKLEY, KANSAS
Equipment Reserve Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 30,000	48,000
Expenditures		
Capital Outlay	15,089	46,400
Cash Receipts Over (Under) Expenditures	14,911	1,600
Unencumbered Cash - Beginning	31,557	46,468
Unencumbered Cash - Ending	\$ 46,468	48,068

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

CITY OF OAKLEY, KANSAS
Capital Improvement Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 321,896	-
Expenditures		
Capital Outlay	225,108	-
Transfers Out	640,000	-
Total Expenditures	865,108	-
Cash Receipts Over (Under) Expenditures	(543,212)	-
Unencumbered Cash - Beginning	2,411,906	1,868,694
Unencumbered Cash - Ending	\$ 1,868,694	1,868,694

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

CITY OF OAKLEY, KANSAS
Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 6,923	7,050	7,118	(68)
Delinquent Tax	241	202	-	202
Motor Vehicle Tax	2,148	1,444	1,210	234
Excise Tax	3	2	-	2
Slider Tax	1,566	-	-	-
Special Assessments	6,412	6,953	4,000	2,953
Transfers In	76,035	-	1,865	(1,865)
Total Cash Receipts	<u>93,328</u>	<u>15,651</u>	<u>14,193</u>	<u>1,458</u>
Expenditures				
Principal	50,000	10,000	10,000	-
Interest	40,863	3,793	3,790	3
Neighborhood Revitalization Rebate	85	93	94	(1)
Cash Basis Reserve	-	-	3,020	(3,020)
Total Expenditures	<u>90,948</u>	<u>13,886</u>	<u>16,904</u>	<u>(3,018)</u>
Cash Receipts Over (Under) Expenditures	2,380	1,765		
Unencumbered Cash - Beginning	<u>331</u>	<u>2,711</u>		
Unencumbered Cash - Ending	\$ <u>2,711</u>	<u>4,476</u>		

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

CITY OF OAKLEY, KANSAS
CDBG Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Loan Proceeds	\$ -	47,317
Expenditures		
Land Acquisition	-	46,737
Contractual Services	-	2,094
Construction	-	451,169
Total Expenditures	-	500,000
Cash Receipts Over (Under) Expenditures	-	(452,683)
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	(452,683)

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

CITY OF OAKLEY, KANSAS
Kansas Water PCRF Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Loan Proceeds	\$ -	183,104
Expenditures		
Contractual Services	-	1,436,099
Cash Receipts Over (Under) Expenditures	-	(1,252,995)
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	(1,252,995)

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

CITY OF OAKLEY, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Sales	\$ 250,966	365,210	305,000	60,210
Penalties	3,172	4,278	3,000	1,278
Service Connections	7,470	4,760	5,000	(240)
Water Taps	932	812	500	312
Use of Money and Property				
Interest on Investments	-	-	500	(500)
Domestic Well Permits	-	500	-	500
Water Tower Rent	2,710	2	3,500	(3,498)
Taxes				
Sales Tax	9,432	183	5,500	(5,317)
Miscellaneous				
Reimbursed Expense	8,218	22,386	5,000	17,386
State Water Protection Fee	4,360	4,821	5,000	(179)
Miscellaneous	441	185	-	185
Transfers In	-	3,200	1,500	1,700
Total Cash Receipts	<u>287,701</u>	<u>406,337</u>	<u>334,500</u>	<u>71,837</u>
Expenditures				
Water Production				
Contractual Services	12,283	28,085	13,500	14,585
Commodities	2,231	1,426	1,500	(74)
Capital Outlay	-	-	5,000	(5,000)
Total Water Production	<u>14,514</u>	<u>29,511</u>	<u>20,000</u>	<u>9,511</u>
Water Transmission and Distribution				
Contractual Services	1,421	1,648	2,000	(352)
Commodities	19,967	26,693	43,500	(16,807)
Capital Outlay	1,725	12,878	15,000	(2,122)
Total Water Trans. and Dist.	<u>23,113</u>	<u>41,219</u>	<u>60,500</u>	<u>(19,281)</u>
Water Commercial and General				
Contractual Services	50,298	61,208	40,250	20,958
Commodities	23,212	27,137	38,400	(11,263)
Capital Outlay	-	8,635	2,000	6,635
Total Water Comm. and Gen.	<u>\$ 73,510</u>	<u>96,980</u>	<u>80,650</u>	<u>16,330</u>

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

CITY OF OAKLEY, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Expenditures (continued)				
Non-Operating Expenses				
Transfers Out	\$ 153,000	182,817	185,000	(2,183)
State Water Fee and Sales Tax	8,690	11,008	15,000	(3,992)
Total Non-Operating Expenses	<u>161,690</u>	<u>193,825</u>	<u>200,000</u>	<u>(6,175)</u>
(a) Adjustment for Qualifying Budget Credit	<u>-</u>	<u>-</u>	<u>17,386</u>	<u>(17,386)</u>
Total Expenditures	<u>272,827</u>	<u>361,535</u>	<u>378,536</u>	<u>(17,001)</u>
Cash Receipts Over (Under) Expenditures	14,874	44,802		
Unencumbered Cash - Beginning	<u>25,779</u>	<u>40,653</u>		
Unencumbered Cash - Ending	\$ <u><u>40,653</u></u>	<u><u>85,455</u></u>		
(a) Adjustment for Qualifying Budget Credit				
Excess Reimbursed Expense Over Amount Budgeted			\$ 17,386	

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

CITY OF OAKLEY, KANSAS
Water Reserve Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 50,000	25,000
Expenditures		
Transfers Out	38,017	-
Cash Receipts Over (Under) Expenditures	11,983	25,000
Unencumbered Cash - Beginning	39,800	51,783
Unencumbered Cash - Ending	\$ 51,783	76,783

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

CITY OF OAKLEY, KANSAS
Electric Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Sales	\$ 2,006	862	-	862
Use of Money and Property				
Interest on Investments	-	-	1,500	(1,500)
Miscellaneous				
Reimbursed Expense	79,195	140,484	65,000	75,484
Capital Credit Refunds	12,015	16,581	-	16,581
Miscellaneous	104	-	-	-
Total Cash Receipts	<u>93,320</u>	<u>157,927</u>	<u>66,500</u>	<u>91,427</u>
Expenditures				
Electric Production				
Contractual Services	87,482	94,800	91,000	3,800
Commodities	3,515	4,846	11,450	(6,604)
Total Electric Production	<u>90,997</u>	<u>99,646</u>	<u>102,450</u>	<u>(2,804)</u>
Non-Operating Expenses				
Transfers Out	57,486	27,607	28,000	(393)
Total Expenditures	<u>148,483</u>	<u>127,253</u>	<u>130,450</u>	<u>(3,197)</u>
Cash Receipts Over (Under) Expenditures	(55,163)	30,674		
Unencumbered Cash - Beginning	<u>156,113</u>	<u>100,950</u>		
Unencumbered Cash - Ending	\$ <u>100,950</u>	<u>131,624</u>		

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

CITY OF OAKLEY, KANSAS
Electric Reserve Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	165,282	165,282
Unencumbered Cash - Ending	\$ 165,282	165,282

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

CITY OF OAKLEY, KANSAS
Sanitation Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Cash Receipts				
Charges for Services				
Refuse Collection	\$ 252,533	305,094	235,000	70,094
Sewer Charges	154,898	341,146	190,000	151,146
Penalties	4,780	7,103	3,500	3,603
Uses of Money and Property				
Interest on Investments	-	-	500	(500)
Miscellaneous				
Reimbursed Expense	12,788	1,287	13,000	(11,713)
Employee Insurance Contribution	-	-	2,000	(2,000)
Miscellaneous	25	1,009	-	1,009
Transfers In	-	12,800	-	12,800
Total Cash Receipts	<u>425,024</u>	<u>668,439</u>	<u>444,000</u>	<u>224,439</u>
Expenditures				
Refuse Collection				
Contractual Services	4,428	6,478	5,700	778
Commodities	53,641	88,815	78,200	10,615
Capital Outlay	23,273	55,242	30,000	25,242
Total Refuse Collection	<u>81,342</u>	<u>150,535</u>	<u>113,900</u>	<u>36,635</u>
Sewage Treatment				
Personal Services	447	59	-	59
Contractual Services	18,167	20,947	20,650	297
Commodities	52,550	25,735	30,500	(4,765)
Capital Outlay	19,888	5,049	10,000	(4,951)
Total Sewage Treatment	<u>91,052</u>	<u>51,790</u>	<u>61,150</u>	<u>(9,360)</u>
Non-Operating Expenses				
Transfers Out	210,000	280,000	320,000	(40,000)
Total Expenditures	<u>382,394</u>	<u>482,325</u>	<u>495,050</u>	<u>(12,725)</u>
Cash Receipts Over (Under) Expenditures	42,630	186,114		
Unencumbered Cash - Beginning	<u>133,784</u>	<u>176,414</u>		
Unencumbered Cash - Ending	\$ <u>176,414</u>	<u>362,528</u>		

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

CITY OF OAKLEY, KANSAS
Sanitation Reserve Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 60,000	40,000
Expenditures		
Transfers Out	38,018	-
Land Acquisition	-	9,380
Total Expenditures	<u>38,018</u>	<u>9,380</u>
Cash Receipts Over (Under) Expenditures	21,982	30,620
Unencumbered Cash - Beginning	<u>66,953</u>	<u>88,935</u>
Unencumbered Cash - Ending	<u>\$ 88,935</u>	<u>119,555</u>

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

CITY OF OAKLEY, KANSAS
Museum Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Donations	\$ 2,731	3,037
Fund Raisers	49	-
Interest on Investments	1,637	2,992
Reimbursed Expense	15	60
Miscellaneous	115	-
Total Cash Receipts	4,547	6,089
Expenditures		
Commodities	16,586	12,530
Cash Receipts Over (Under) Expenditures	(12,039)	(6,441)
Unencumbered Cash - Beginning	129,438	117,399
Unencumbered Cash - Ending	\$ 117,399	110,958

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

CITY OF OAKLEY, KANSAS
Museum Store Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Sales and Commissions	\$ 6,424	4,452
Reimbursed Expense	144	-
Interest on Investments	213	378
Total Cash Receipts	6,781	4,830
Expenditures		
Supplies and Inventory	1,448	1,852
Cash Receipts Over (Under) Expenditures	5,333	2,978
Unencumbered Cash - Beginning	45,135	50,468
Unencumbered Cash - Ending	\$ 50,468	53,446

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

CITY OF OAKLEY, KANSAS
Cemetery Trust Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	6,500	6,500
Unencumbered Cash - Ending	\$ 6,500	6,500

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

CITY OF OAKLEY, KANSAS
Special Law Enforcement Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Donations	\$ 50	-
Expenditures		
Commodities	27	490
Cash Receipts Over (Under) Expenditures	23	(490)
Unencumbered Cash - Beginning	1,225	1,248
Unencumbered Cash - Ending	\$ 1,248	758

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

CITY OF OAKLEY, KANSAS
Library - General Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Appropriations from City		
Library Fund	\$ 133,000	133,539
Intergovernmental		
Grants	400	1,160
Uses of Money and Property		
Interest on Investments	918	888
Miscellaneous		
Fines and Fees	2,087	2,346
Contributions and Memorials	890	1,139
Book Sales	711	884
Miscellaneous	211	312
Transfers In	705	464
Total Cash Receipts	<u>138,922</u>	<u>140,732</u>
Expenditures		
Personal Services	108,705	112,280
Contractual Services	6,080	5,780
Commodities	13,093	13,061
Capital Outlay	4,068	1,060
Transfers Out	7,551	4,504
Total Expenditures	<u>139,497</u>	<u>136,685</u>
Cash Receipts Over (Under) Expenditures	(575)	4,047
Unencumbered Cash - Beginning	<u>116,215</u>	<u>115,640</u>
Unencumbered Cash - Ending	<u>\$ 115,640</u>	<u>119,687</u>

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

CITY OF OAKLEY, KANSAS
Library - Capital Improvement Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest on Investments	\$ 517	70
Transfers In	7,551	4,504
Total Cash Receipts	8,068	4,574
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	8,068	4,574
Unencumbered Cash - Beginning	21,696	29,764
Unencumbered Cash - Ending	\$ 29,764	34,338

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

CITY OF OAKLEY, KANSAS
Library - Flexible Spending Plan Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 2,655	2,195
Expenditures		
Flexible Plan Premiums	2,773	3,211
Cash Receipts Over (Under) Expenditures	(118)	(1,016)
Unencumbered Cash - Beginning	2,593	2,475
Unencumbered Cash - Ending	\$ 2,475	1,459

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

CITY OF OAKLEY, KANSAS
Edna M. Hood Estate Bequest Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest on Investments	\$ 705	464
Expenditures		
Transfers Out	705	464
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	80,000	80,000
Unencumbered Cash - Ending	\$ 80,000	80,000

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

CITY OF OAKLEY, KANSAS
Agency Funds
 Summary of Cash Receipts and Cash Disbursements
 For the Year Ended December 31, 2010

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Agency Fund Flexible Spending Plan Fund	\$ 947	29,150	29,885	212

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

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Oakley, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The City is a municipal corporation governed by an elected Mayor and five elected council members. These financial statements present the City (primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

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

Oakley Public Library Board

The Oakley Public Library Board is organized under Kansas statutes for the purpose of operating a public library for the benefit of the City. The Board's members are appointed by the City Council. The City substantially funds the Board's operations by levying tax dollars for the Library. The Library Board's audited financial statements are included in the City's audit report. The Library Board does not issue a separate audit report. Contact the City Clerk for further information.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2010.

Governmental Fund Categories

General Fund – to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Fund – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds – to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Fund Category

Enterprise Funds – to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Categories

Private Purpose Trust Funds – to account for assets held by the City as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

Agency Funds – to account for assets held by the City as trustee or agent for others.

Statutory Basis of Accounting

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

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

Departure From Accounting Principles Generally Accepted in the United States of America

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

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Information

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

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper of the proposed budget notice of public hearing on the budget on or before August 5th.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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

A legal operating budget is not required for capital project funds, fiduciary funds and the following special revenue funds: Equipment Reserve Fund and Capital Improvement Fund.

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

Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

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

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Concentration of Credit Risk

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not use "peak periods" during 2010. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the City's carrying amount of deposits was \$3,638,421 and the bank balance was \$3,713,681. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$453,154 was covered by federal depository insurance and \$3,260,527 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2010, The Public Library's carrying amount of deposits was \$235,484 and the bank balance was \$237,071. The bank balance was held by one bank resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2010.

Compensated Absences

Vacation

The City allows a maximum of 10 days paid vacation for full-time employees for each year for the first 10 years of employment with a maximum of 20 days accumulation. For each year after 10 years, an additional day of vacation is added up to 20 years. Employees may accumulate twice the yearly vacation allowance up to a maximum of 40 days. Upon termination, employees will be compensated for all earned but unused vacation. The City's maximum potential liability under the plan at December 31, 2010 has been estimated at \$45,408.

Sick Leave

The City allows employees to accumulate a maximum of 12 days of sick leave per year based upon the anniversary of their employment. No employee may accrue more than 120 days of sick leave. An employee will not be paid for unused sick leave upon termination for reasons other than retirement or death and will be paid only if the employee has been employed for ten years or longer. The maximum benefit paid for eligible employees is one-third of total accumulated leave. As of December 31, 2010 the cost of accumulated sick leave has been calculated at \$147,944.

Currently, the Public Library, a component unit of the City, does not have a compensated absences policy.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Compensation Plan

The City sponsors a deferred compensation under the Internal Revenue Code Section 457(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The City is not required to make any contributions.

Defined Benefit Pension Plan

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% and 6% (for employees hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate established for calendar year 2010 was 7.14%. The City's employer contributions to KPERs for the years ending December 31, 2010, 2009, and 2008 were \$55,874, \$36,161, and \$34,279, respectively, equal to the required contributions for each year as set forth by the legislature.

The Public Library's KPERs employer rate established for calendar year 2010 was 7.14%. The Public Library's employer contributions to KPERs for the years ending December 31, 2010, 2009, and 2008 were \$5,223, \$4,692 and \$4,166, respectively, equal to the required contributions for each year as set forth by the legislature.

Other Post Employment Benefits

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

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

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust and agency funds of the City for special purposes.

Reimbursements

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

NOTE 2 – LANDFILL CLOSURE AND POSTCLOSURE COSTS

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The current year expenditures relating to the operation of the landfill are provided in the Sanitation Utility Fund.

The City's estimate of the closure and post-closure care liability at year end was \$105,843. This liability is based on the use of 6.29% of the estimated cost of closure and post-closure care of \$1,682,718 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2011. The City expects the landfill to continue to operate for approximately 14.9 years. Actual costs may be higher due to inflation, changes in technology or in regulations. The City has not restricted any of its assets for payments of closure and post closure care costs.

The City did not meet the financial assurance requirements through the Local Government Financial Test. This test involves four components: financial, public notice, recordkeeping and reporting, and calculation of costs to be assured. The City has not satisfied all four requirements.

NOTE 3 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. The **City of Oakley, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2010 were as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Authority</u>	<u>Amount</u>
General - Government	Equipment Reserve	K.S.A. 12-1,117	\$ 8,000
Electric Utility	General - Government	K.S.A. 12-825d	27,607
Water Utility	General - Government	K.S.A. 12-825d	157,817
Water Utility	Water Reserve	K.S.A. 12-825d	25,000
Sanitation Utility	Sanitation Reserve	K.S.A. 12-825d	40,000
Sanitation Utility	General - Government	K.S.A. 12-825d	200,000
Sanitation Utility	Equipment Reserve	K.S.A. 12-1,117	40,000
Convention and Tourism	Water Utility	Board Approved	3,200
Convention and Tourism	Sanitation Utility	Board Approved	12,800
 Component Unit Interfund Transfers			
Edna M. Hood Estate Bequest	Library-General	K.S.A 79-2925	464
Library-General	Library-Capital Improvement	K.S.A 12-1258	4,504

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 4 – CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	<u>Project Authorization</u>	<u>Cash Disbursements and Accounts Payable To Date</u>
Wastewater Treatment Facility Improvements	\$ 1,936,099	\$ 233,864

NOTE 5 – LITIGATION

City of Oakley, Kansas is party to various legal proceedings which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the City.

NOTE 6 – RISK MANAGEMENT

City of Oakley, Kansas carries commercial insurance for risks of loss, including property, general liability, inland marine, crime, umbrella, auto and fidelity bond coverage. The City does not carry comprehensive collision insurance on all motor vehicles. The City has elected not to provide for a reserve on this risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

NOTE 7 – GRANTS AND SHARED REVENUES

City of Oakley, Kansas participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 8 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **City of Oakley, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 9 – LONG-TERM DEBT

City of Oakley, Kansas has the following types of long-term debt.

General Obligation Bonds

The City issued General Obligation Bonds to provide funds to construct a main sewer line, to install a water line and to construct a main sewer extension.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 9 – LONG-TERM DEBT (continued)

KDHE Revolving Loan

The City entered into a grant agreement with the Kansas Department of Commerce to fund a portion of the wastewater treatment facility improvements with Community Development Block Grant funds not to exceed \$500,000. As part of the grant agreement, the City must provide \$2,409,070 in other sources of funds to this Community Development Program. The City entered into a loan agreement with the Kansas Department of Health and Environment to fund a portion of the wastewater treatment facility improvements in an amount not to exceed \$2,724,752. The City has increased the sewer rates in order to provide loan repayment.

Lease Obligations

The City has entered into lease agreements with an option to purchase at the expiration of the lease term. The leases contain a fiscal funding clause.

Changes in long-term debt for the City at December 31, 2010 and current maturities of long-term debt and interest for the next five years and in five year increments through maturity are included on the next two pages.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2010

NOTE 9 -LONG-TERM DEBT (continued)

Changes in long-term liabilities for the City for the year ended December 31, 2010, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bond Series 2003	4.42%	02/20/03	\$ 121,000	12/01/18	\$ 90,000	-	(10,000)		80,000	3,793
KDHE Loans										
Kansas Water Pollution Control Revolving Loan	2.58%	4/15/10	2,724,752	03/01/31	-	183,740	-		183,740	331
Capital Leases										
2008 Komatsu Wheel Loader	3.95%	09/24/08	135,713	09/24/13	110,651	-	(26,062)		84,589	4,116
Total Contractual Indebtedness					200,651	183,740	(36,062)		348,329	8,240
Compensated Absences	N/A	N/A	N/A	N/A	209,022			(15,670)	193,352	
Landfill Closure and Post Closure Care	N/A	N/A	N/A	N/A	1,474,106			208,612	1,682,718	
Total Long-Term Debt					<u>\$ 1,883,779</u>	<u>183,740</u>	<u>(36,062)</u>	<u>192,942</u>	<u>2,224,399</u>	<u>8,240</u>

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2010

NOTE 9 - LONG-TERM DEBT (continued)

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

	YEAR						Total
	2011	2012	2013	2014	2015	2016-2020	
Principal							
General Obligation Bond - Series 2003	\$ 10,000	10,000	10,000	10,000	10,000	30,000	80,000
Kansas Water Pollution Revolving Loan	83,625	100,115	-	-	-	-	183,740
Capital Leases	27,101	28,182	29,306	-	-	-	84,589
Total Principal	120,726	138,297	39,306	10,000	10,000	30,000	348,329
Interest							
General Obligation Bond - Series 2003	3,440	3,065	2,665	2,250	1,820	2,780	16,020
Kansas Water Pollution Revolving Loan	4,002	1,477	-	-	-	-	5,479
Capital Leases	3,076	1,995	871	-	-	-	5,942
Total Interest	10,518	6,537	3,536	2,250	1,820	2,780	27,441
Total Principal and Interest	\$ 131,244	144,834	42,842	12,250	11,820	32,780	375,770