

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**CITY OF ONAGA, KANSAS**

**December 31, 2011**

Reese & Novelly, P.A.  
*Certified Public Accountants*  
Onaga, Kansas

**Audited Financial Statements and Other Financial Information**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

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**REESE & NOVELLY, P.A.**  
Certified Public Accountants

*Rick I. Reese, CPA*  
*Nicholas J. Novelly, CPA*  
*Carol E. McCullough, CPA*

*Annette D. Fiedler, CPA*  
*Patricia E. Ungebeuer, CPA*  
*Melanie L. Tuttle, CPA*  
*Abbie R. Stierly, CPA*

## INDEPENDENT AUDITORS' REPORT

The Mayor and City Council  
City of Onaga, Kansas

We have audited the accompanying statements of cash and unencumbered cash, cash receipts and disbursements; and disbursements – budget and actual for each fund of the City of Onaga, Kansas (City), as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, the City has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The 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 the City, as of December 31, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, the City 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 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 the City, as of December 31, 2011, and their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note A.

A handwritten signature in cursive script that reads "Lori Novely, PA". The signature is written in black ink and is positioned above the typed text.

Onaga, Kansas  
March 30, 2012

## **FINANCIAL STATEMENTS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND  
UNENCUMBERED CASH (STATEMENT 1)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

<u>FUNDS</u>	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Types:							
General	\$ 115,717	\$ -	\$ 484,258	\$ 467,936	\$ 132,039	\$ 1,181	\$ 133,220
Debt Service:							
Bond and Interest	1,871		40	1,092	819		819
Special Revenue:							
Fire & Law Equipment	1,428		13,570	8,204	6,794		6,794
Industrial Development	1,475		3,531	3,000	2,006		2,006
Special Highway Fund			18,046	18,046	-		-
Special Parks & Recreation	58				58		58
Cemetery Board	17,785		739	1,621	16,903		16,903
Equipment Reserve	148,869				148,869		148,869
<b>TOTAL SPECIAL REVENUE</b>	<b>169,615</b>	<b>-</b>	<b>35,886</b>	<b>30,871</b>	<b>174,630</b>	<b>-</b>	<b>174,630</b>

See notes to financial statements

**SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND  
UNENCUMBERED CASH (STATEMENT 1)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

<u>FUNDS</u>	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Capital Projects:							
Capital Projects	\$ 12,000	\$ -	\$ 33,291	\$ 163,005	\$ (117,714)	\$ -	\$ (117,714)
Bridge Improvements	(2,800)		34,880	32,080	-		-
Curb and Gutter Project	(31,740)		645,967	614,227	-		-
Street Improvements				13,450	(13,450)		(13,450)
<b>TOTAL CAPITAL PROJECTS</b>	<b>(22,540)</b>	<b>-</b>	<b>714,138</b>	<b>822,762</b>	<b>(131,164)</b>	<b>-</b>	<b>(131,164)</b>
Proprietary Fund Types:							
Enterprise:							
Water Utility	393,550		257,700	347,334	303,916		303,916
Sewer Utility	7,838		156,248	160,811	3,275		3,275
Refuse Utility	2,767		39,358	39,918	2,207	3,182	5,389
<b>TOTAL ENTERPRISE</b>	<b>404,155</b>	<b>-</b>	<b>453,306</b>	<b>548,063</b>	<b>309,398</b>	<b>3,182</b>	<b>312,580</b>
<b>TOTAL REPORTING ENTITY</b>	<b>\$ 668,818</b>	<b>\$ -</b>	<b>\$ 1,687,628</b>	<b>\$ 1,870,724</b>	<b>\$ 485,722</b>	<b>\$ 4,363</b>	<b>\$ 490,085</b>

See notes to financial statements



**SUMMARY OF EXPENDITURES - BUDGET AND ACTUAL  
BUDGETED FUNDS ONLY (STATEMENT 2)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Favorable (Unfavorable) Variance</u>
Governmental Fund Types:					
General	\$ 623,460	\$	\$ 623,460	\$ 467,936	\$ 155,524
Debt Service:					
Bond and Interest	1,092		1,092	1,092	-
Special Revenue:					
Fire and Law Equipment	15,168		15,168	8,204	6,964
Industrial Development	5,196		5,196	3,000	2,196
Special Highway	18,930		18,930	18,046	884
Special Park	400		400		400
Proprietary Fund Types:					
Enterprise:					
Water Utility	348,864		348,864	347,334	1,530
Sewer Utility	182,628		182,628	160,811	21,817
Refuse Utility	42,000		42,000	39,918	2,082

See notes to financial statements

**STATEMENTS OF CASH RECEIPTS AND EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND - (STATEMENT 3)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

	Budget	Actual	Favorable (Unfavorable) Variance
<b>Cash Receipts:</b>			
Taxes and shared revenues	\$ 165,837	\$ 153,733	\$ (12,104)
Sales tax	179,000	174,066	(4,934)
Licenses, permits, and fees	58,000	61,043	3,043
Charges for services	13,500	13,027	(473)
Use of money and property	3,960	4,420	460
Reimbursements and grants	8,500	17,717	9,217
Miscellaneous	20,000	3,438	(16,562)
Interest	15,000	5,722	(9,278)
Operating transfers	1,092	51,092	50,000
<b>TOTAL CASH RECEIPTS</b>	<b>464,889</b>	<b>484,258</b>	<b>19,369</b>
<b>Expenditures:</b>			
General Government	275,931	227,620	48,311
Police	60,700	53,147	7,553
Fire	22,200	22,252	(52)
Code Enforcement	22,272	5,820	16,452
Street	102,257	85,003	17,254
Park	96,100	71,533	24,567
Cemetary	44,000	2,561	41,439
<b>TOTAL EXPENDITURES</b>	<b>623,460</b>	<b>467,936</b>	<b>155,524</b>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	<b>(158,571)</b>	<b>16,322</b>	<b>174,893</b>
Beginning Unencumbered Cash Balance	162,756	115,717	(47,039)
<b>ENDING UNENCUMBERED CASH BALANCE</b>	<b>\$ 4,185</b>	<b>\$ 132,039</b>	<b>\$ 127,854</b>

See independent auditors' report and notes to financial statements.

**STATEMENTS OF CASH RECEIPTS AND EXPENDITURES  
 BUDGET AND ACTUAL - BOND AND INTEREST  
 DEBT SERVICE FUND - (STATEMENT 3)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Cash Receipts:			
Taxes and shared revenues	\$	\$       40	\$       40
Expenditures:			
Operating transfers	1,092	1,092	-
RECEIPTS OVER (UNDER) EXPENDITURES	(1,092)	(1,052)	40
Beginning Unencumbered Cash Balance	1,092	1,871	779
ENDING UNENCUMBERED CASH BALANCE	<u>\$       -</u>	<u>\$       819</u>	<u>\$       819</u>

See independent auditors' report and notes to financial statements.

**STATEMENTS OF CASH RECEIPTS AND EXPENDITURES  
 BUDGET AND ACTUAL - FIRE AND LAW  
 SPECIAL REVENUE FUND - (STATEMENT 3)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Cash Receipts:			
Taxes and shared revenues	\$ 15,359	\$ 13,570	\$ (1,789)
Expenditures:			
Contractual and other expenditures		2,973	(2,973)
Material and supplies	15,000	5,231	9,769
Miscellaneous	168		168
TOTAL EXPENDITURES	<u>15,168</u>	<u>8,204</u>	<u>6,964</u>
RECEIPTS OVER (UNDER) EXPENDITURES	191	5,366	5,175
Beginning Unencumbered Cash Balance	<u>236</u>	<u>1,428</u>	<u>1,192</u>
ENDING UNENCUMBERED CASH BALANCE	<u>\$ 427</u>	<u>\$ 6,794</u>	<u>\$ 6,367</u>

See independent auditors' report and notes to financial statements.

**STATEMENTS OF CASH RECEIPTS AND EXPENDITURES  
 BUDGET AND ACTUAL - INDUSTRIAL DEVELOPMENT  
 SPECIAL REVENUE FUND - (STATEMENT 3)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Cash Receipts:			
Taxes and shared revenues	\$ 3,921	\$ 3,531	\$ (390)
Expenditures:			
Contractual and other expenditures	5,000		5,000
Capital Outlay		3,000	(3,000)
Miscellaneous	196		196
TOTAL EXPENDITURES	<u>5,196</u>	<u>3,000</u>	<u>2,196</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(1,275)	531	1,806
Beginning Unencumbered Cash Balance	<u>1,382</u>	<u>1,475</u>	<u>93</u>
ENDING UNENCUMBERED CASH BALANCE	<u>\$ 107</u>	<u>\$ 2,006</u>	<u>\$ 1,899</u>

See independent auditors' report and notes to financial statements.

**STATEMENTS OF CASH RECEIPTS AND EXPENDITURES  
 BUDGET AND ACTUAL - SPECIAL HIGHWAY  
 SPECIAL REVENUE FUND - (STATEMENT 3)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Cash Receipts:			
Taxes and shared revenues	\$ 18,450	\$ 18,046	\$ (404)
Expenditures:			
Debt payments:			
Principal	18,930	18,046	884
RECEIPTS OVER (UNDER) EXPENDITURES	(480)	-	480
Beginning Unencumbered Cash Balance	480		(480)
ENDING UNENCUMBERED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and notes to financial statements.

**STATEMENTS OF CASH RECEIPTS AND EXPENDITURES  
 BUDGET AND ACTUAL - SPECIAL PARKS  
 SPECIAL REVENUE FUND - (STATEMENT 3)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

	Budget	Actual	Favorable (Unfavorable) Variance
	<u>          </u>	<u>          </u>	<u>          </u>
Cash Receipts:			
Taxes and shared revenues	\$      400	\$	\$      (400)
	<u>          </u>	<u>          </u>	<u>          </u>
Expenditures:			
Material and supplies	400		400
	<u>          </u>	<u>          </u>	<u>          </u>
RECEIPTS OVER (UNDER) EXPENDITURES	-	-	-
Beginning Unencumbered Cash Balance	<u>          58</u>	<u>          58</u>	<u>          -</u>
ENDING UNENCUMBERED CASH BALANCE	<u><u>      \$      58</u></u>	<u><u>      \$      58</u></u>	<u><u>      \$      -</u></u>

See independent auditors' report and notes to financial statements.

**STATEMENTS OF CASH RECEIPTS AND EXPENDITURES  
SUMMARY OF NON-BUDGETED SPECIAL REVENUE FUNDS (STATEMENT 3)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

	<u>Cemetery Board</u>	<u>Equipment Reserve</u>
Cash Receipts:		
Interest	\$ 94	\$
Miscellaneous	<u>645</u>	<u>          </u>
TOTAL CASH RECEIPTS	<u>739</u>	<u>-</u>
Expenditures:		
Material and supplies	<u>1,621</u>	<u>          </u>
RECEIPTS OVER (UNDER) EXPENDITURES	(882)	-
Beginning Unencumbered Cash Balance	<u>17,785</u>	<u>148,869</u>
ENDING UNENCUMBERED CASH BALANCE	<u>\$ 16,903</u>	<u>\$ 148,869</u>

See independent auditors' report and notes to financial statements.

**STATEMENTS OF CASH RECEIPTS AND EXPENDITURES  
SUMMARY STATEMENT OF CAPITAL PROJECT FUNDS (STATEMENT 3)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

	Capital Projects	Bridge Improvements	Curb and Gutter Project	Street Improvements
Cash Receipts:				
Reimbursements and grants	\$	\$	\$	\$
Operating transfers	33,291	34,880	81,829	564,138
	33,291	34,880	645,967	-
<b>TOTAL CASH RECEIPTS</b>				
Expenditures:				
Contractual and other expenditures		32,080	614,227	13,450
Capital Outlay	75,000			
Debt payments:				
Principal	88,000			
Miscellaneous	5			
	163,005	32,080	614,227	13,450
<b>TOTAL EXPENDITURES</b>				
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	(129,714)	2,800	31,740	(13,450)
Beginning Unencumbered Cash Balance	12,000	(2,800)	(31,740)	
<b>ENDING UNENCUMBERED CASH BALANCE</b>	\$ (117,714)	\$ -	\$ -	\$ (13,450)

See independent auditors' report and notes to financial statements.

**STATEMENTS OF CASH RECEIPTS AND EXPENDITURES  
 BUDGET AND ACTUAL - WATER UTILITY  
 ENTERPRISE FUND - (STATEMENT 3)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

	Budget	Actual	Favorable (Unfavorable) Variance
<b>Cash Receipts:</b>			
Charges for services	\$ 246,900	\$ 256,233	\$ 9,333
Reimbursements and grants		357	357
Interest	1,161		(1,161)
Miscellaneous	3,000	1,110	(1,890)
	<u>251,061</u>	<u>257,700</u>	<u>6,639</u>
<b>TOTAL CASH RECEIPTS</b>			
<b>Expenditures:</b>			
Personnel expenditures	55,433	50,825	4,608
Contractual and other expenditures	56,431	80,356	(23,925)
Material and supplies	21,000	37,367	(16,367)
Capital Outlay	100,000	8,160	91,840
<b>Debt payments:</b>			
Principal	110,000	23,000	87,000
Interest		87,480	(87,480)
Miscellaneous	6,000	146	5,854
Operating transfers		60,000	(60,000)
	<u>348,864</u>	<u>347,334</u>	<u>1,530</u>
<b>TOTAL EXPENDITURES</b>			
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	<b>(97,803)</b>	<b>(89,634)</b>	<b>8,169</b>
<b>Beginning Unencumbered Cash Balance</b>	<u>319,104</u>	<u>393,550</u>	<u>74,446</u>
<b>ENDING UNENCUMBERED CASH BALANCE</b>	<u><u>\$ 221,301</u></u>	<u><u>\$ 303,916</u></u>	<u><u>\$ 82,615</u></u>

See independent auditors' report and notes to financial statements.

**STATEMENTS OF CASH RECEIPTS AND EXPENDITURES  
BUDGET AND ACTUAL - SEWER UTILITY  
ENTERPRISE FUND - (STATEMENT 3)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

	Budget	Actual	Favorable (Unfavorable) Variance
Cash Receipts:			
Charges for services	\$ 150,000	\$ 142,579	\$ (7,421)
Reimbursements and grants		13,139	13,139
Interest	1,500	530	(970)
	<u>151,500</u>	<u>156,248</u>	<u>4,748</u>
<b>TOTAL CASH RECEIPTS</b>	<u>151,500</u>	<u>156,248</u>	<u>4,748</u>
Expenditures:			
Personnel expenditures	20,000	13,075	6,925
Contractual and other expenditures	19,000	6,622	12,378
Material and supplies	5,000	1,340	3,660
Debt payments:			
Principal	137,628	82,386	55,242
Interest		57,388	(57,388)
Miscellaneous	1,000		1,000
	<u>182,628</u>	<u>160,811</u>	<u>21,817</u>
<b>TOTAL EXPENDITURES</b>	<u>182,628</u>	<u>160,811</u>	<u>21,817</u>
<b>RECEIPTS OVER (UNDER) EXPENDITURES</b>	<u>(31,128)</u>	<u>(4,563)</u>	<u>26,565</u>
Beginning Unencumbered Cash Balance	<u>33,279</u>	<u>7,838</u>	<u>(25,441)</u>
<b>ENDING UNENCUMBERED CASH BALANCE</b>	<u><u>\$ 2,151</u></u>	<u><u>\$ 3,275</u></u>	<u><u>\$ 1,124</u></u>

See independent auditors' report and notes to financial statements.

**STATEMENTS OF CASH RECEIPTS AND EXPENDITURES  
 BUDGET AND ACTUAL - REFUSE UTILITY  
 ENTERPRISE FUND - (STATEMENT 3)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Cash Receipts:			
Charges for services	\$ 42,000	\$ 39,358	\$ (2,642)
Expenditures:			
Personnel expenditures	1,800	1,476	324
Contractual and other expenditures	40,200	38,153	2,047
Material and supplies		289	(289)
TOTAL EXPENDITURES	<u>42,000</u>	<u>39,918</u>	<u>2,082</u>
RECEIPTS OVER (UNDER) EXPENDITURES	-	(560)	(560)
Beginning Unencumbered Cash Balance	<u>3,379</u>	<u>2,767</u>	<u>(612)</u>
ENDING UNENCUMBERED CASH BALANCE	<u>\$ 3,379</u>	<u>\$ 2,207</u>	<u>\$ (1,172)</u>

See independent auditors' report and notes to financial statements.

**SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS  
AGENCY FUNDS (STATEMENT 4)**

**CITY OF ONAGA, KANSAS**

**Year Ended December 31, 2011**

<u>FUNDS</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Fiduciary type funds:				
Trust and agency:				
Water deposits	\$ 7,261	\$ 4,125	\$ 4,529	\$ 6,857
TOTAL AGENCY FUNDS	<u>\$ 7,261</u>	<u>\$ 4,125</u>	<u>\$ 4,529</u>	<u>\$ 6,857</u>

See independent auditors' report and notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

### CITY OF ONAGA, KANSAS

December 31, 2011

#### NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Onaga, Kansas (City) was incorporated August 15, 1879 and operates under a Mayor-Council form of government. The council consists of five elected members. The accounting policies of the City conform to the cash-basis and budget laws of Kansas (statutory basis). The following is a summary of the more significant policies:

1. Reporting Entity: The financial reporting entity of the City is comprised of the primary government.

The basic criterion for including a separate governmental entity in the City's financial reporting entity is the financial accountability of the City for the separate entity. The City is financially accountable if it appoints a voting majority of a component unit's governing body and if it either has the ability to impose its will on the component unit or there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government. There were no component units.

2. Fund Accounting: The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

#### *Governmental Funds*

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.

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

Debt Service Funds are used to account for the accumulation of financial resources for and the payment of general long-term principal, interest, and related costs.

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

## NOTES TO FINANCIAL STATEMENTS

### CITY OF ONAGA, KANSAS

December 31, 2011

#### *Proprietary Funds*

Enterprise Funds are used to account for operations that provide goods or services to the general public on a continuing basis. Such operations are financed and operated in a manner similar to private business enterprises and (a) are intended to be self supporting through charges to users or (b) are deemed by the governing body as appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

#### *Fiduciary Funds*

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

3. Statutory Basis of Presentation: 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. 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 the 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 municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles: The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expenses, 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 reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles.

## NOTES TO FINANCIAL STATEMENTS

### CITY OF ONAGA, KANSAS

December 31, 2011

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, temporary notes, and compensated absences are not presented in the financial statements.

4. 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. 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 on or before August 5th of the proposed budget and notice of public hearing on the budget.
  - c. Public hearing on or before August 15th, but at least ten 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 ten days after publication, the hearing may be held and the governing body may amend the budget at that time.

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 modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City 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 or trust funds, and the following special revenue funds:

- Cemetery
- Equipment Reserve

## NOTES TO FINANCIAL STATEMENTS

### CITY OF ONAGA, KANSAS

December 31, 2011

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.

5. Compensated Absences: The City maintains a policy of providing vacation and sick leave to its full-time employees, granted in varying amounts depending on length of service and date of hire. Vacation days are vesting and are allowed a maximum of 40 hours to be carried over into the next period. Sick leave is non-vesting and accumulates with a maximum accrual of 480 hours.

Per the City's policy at December 31, 2011, the City's liability for unused vacation time was approximately \$1,989.

6. Reimbursements: A reimbursement is an expenditure or expense initially made in one fund, but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed by other funds. In accounting for such reimbursements, the City records an expenditure (or expense) in the reimbursing fund, and a reduction of expenditures (or expense) in the reimbursed fund, following the authoritative guidance of the *Governmental Accounting, Auditing and Financial Reporting*.
7. Cash and Investments: The City uses an internally pooled cash system in which the cash balances from all funds are combined and invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments, unless specifically designated, are allocated to the general fund and the utility funds based upon their average cash balances.
8. Property Tax: The Pottawatomie County Clerk calculates the final tax levy rates necessary to finance the budget subject to any legal limitations. After all budgets have been received and tax rates calculated, the clerk certifies the tax roll to, and prepares tax statements for, the County Treasurer who receives payment.

Taxes levied to finance the budget are made available to the City after January 1<sup>st</sup> and are distributed by the County Treasurer per statutes. At least 50% of the taxes levied are available in January. Delinquent tax collections are distributed throughout the year.

## NOTES TO FINANCIAL STATEMENTS

### CITY OF ONAGA, KANSAS

December 31, 2011

#### NOTE B—DEPOSITS AND INVESTMENTS

As of December 31, 2011, the City did not have any investments other than certificates of deposit.

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

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit investment choices. The City had no investments therefore they do not have a rating.

*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. The City had no investments other than certificates of deposit (which are secured through FDIC coverage and pledged securities) at December 31, 2011.

*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, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City had no agreements for designated "peak periods." All deposits were legally secured at December 31, 2011.

At December 31, 2011, the carrying amount of the City's deposits, including certificates of deposit, was \$496,941 and the bank balance was \$495,534. The bank balance was held by one bank which resulted in a concentration of credit risk. Of the bank balance, \$324,091 was covered by federal depository insurance; \$171,443 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

*Custodial credit risk – investments:* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Government 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.

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF ONAGA, KANSAS**

**December 31, 2011**

**NOTE C—LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended December 31, 2011:

	Beginning Balance	Issued	Retired	Ending Balance
Revenue Bonds	3,470,417		39,993	3,430,424
Revolving Loans	124,210		83,440	40,770
Capital Leases	176,000		88,000	88,000
<b>TOTAL</b>	<b>\$ 3,770,627</b>	<b>\$ -</b>	<b>\$ 211,433</b>	<b>\$ 3,559,194</b>

Total interest expense for the year was \$144,868.

See Notes J and K for schedules of long term debt and current maturities of long term debt.

**NOTE D—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, Suite 100, Topeka, KS 66603-3925) or by calling 1-888-275-5737.

Funding Policy: K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at four percent of covered salary for all employees hired before July 1, 2009 and six percent of covered salary for all employees hired on or after July 1, 2009. 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 KPERS employer rate established for January 1, 2011 thru March 31, 2011 and July 1, 2011 thru December 31, 2011 was 7.74 percent. For the period of April 1, 2011 thru June 30, 2011 the state issued a moratorium on the employer's insurance contributions of 1 percent, setting the employer's rate to 6.74 percent. The City employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009, were \$11,229, \$12,251, and \$10,369, respectively, equal to the statutory required contributions for each year.

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF ONAGA, KANSAS**

**December 31, 2011**

**NOTE E—CAPITAL PROJECTS**

At year-end, capital projects authorizations with approved change orders compared with expenditures from inception are as follows:

Project Name	Expenditures Year Ended December 31, 2011	Expenditures to date	Project Authorizations
Bridge Improvements	32,080	34,880	34,880
Curb & Gutter Project	614,228	645,968	646,932
Street Improvements	13,450	13,450	13,450
	<u>\$ 659,758</u>	<u>\$ 694,298</u>	<u>\$ 695,262</u>

**NOTE F—OPERATING TRANSFERS**

The City made the following operating transfers during 2011. The City Commission approved the transfers.

FROM	TO	Statutory Authority	Amount
General Fund	Capital Project Fund	12-6a16	\$ 81,829
General Fund	Capital Project Fund	12-6a16	34,880
General Fund	Capital Project Fund	12-6a16	3,291
Bond & Interest Fund	General Fund	10-117a	1,092
Water Utility Fund	General Fund	12-825d	50,000
			<u>\$ 171,092</u>

**NOTE G—COMMITMENTS AND CONTINGENCIES**

Contracts: At December 31, 2011, the City has project contracts in process. Commitments related to significant contracts include contracts for capital improvements.

Risk Management: The City is exposed to various risks of loss related to theft of, damage to, or destruction of assets; errors and omissions; injuries to employees and natural disasters. The City manages these various risks of loss through commercial insurance with varying deductibles. All deductibles are \$1,000 or less.

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF ONAGA, KANSAS**

**December 31, 2011**

**NOTE H—BUDGETED FUNDS**

The City had no amendments to the budget during 2011.

**NOTE I—MANAGEMENT’S REVIEW OF SUBSEQUENT EVENTS**

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through March 30, 2012, the date the financial statements were available to be issued.

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF ONAGA, KANSAS**

**NOTE J - SCHEDULE OF LONG-TERM DEBT**

The following is a schedule of changes in long term debt for the City for the year ended December 31, 2011

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Date of Final Maturity</u>
Revenue bond				
2005 Sewer Disposal System	4.125%	8/25/2005	\$ 1,358,800	8/25/2045
2010 Water Improvements	4.000%	2/2/2010	<u>2,187,000</u>	2/2/2050
TOTAL REVENUE BONDS			<u>3,545,800</u>	
Revolving loans				
KDOT - Street Project	3.55%	1/22/2007	395,500	8/1/2012
Capital leases				
Golf Course	0.00%	9/19/2007	440,000	1/2/2012
Compensated absences (net change)			<u>                    </u>	
TOTAL INDEBTEDNESS			<u>\$ 4,381,300</u>	

<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Net Change</u>	<u>Ending Balance</u>	<u>Interest Paid</u>
\$ 1,283,417		\$ 16,993	\$ (16,993)	\$ 1,266,424	\$ 52,941
2,187,000		23,000	(23,000)	2,164,000	87,480
<u>3,470,417</u>	<u>-</u>	<u>39,993</u>	<u>(39,993)</u>	<u>3,430,424</u>	<u>140,421</u>
124,210		83,440	(83,440)	40,770	4,447
176,000		88,000	(88,000)	88,000	-
<u>2,237</u>		<u>248</u>	<u>(248)</u>	<u>1,989</u>	
<u>\$ 3,772,864</u>	<u>\$ -</u>	<u>\$ 211,681</u>	<u>\$ (211,681)</u>	<u>\$ 3,561,183</u>	<u>\$ 144,868</u>

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF ONAGA, KANSAS**

**NOTE K - SCHEDULE OF MATURITY OF LONG TERM DEBT**

The current maturities of long term debt and interest for the next five years and in five year increments through maturity is as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017-2021</u>
<b>PRINCIPAL</b>						
Revenue bonds	\$ 41,694	\$ 43,423	\$ 45,183	\$ 46,975	\$ 48,799	\$ 275,593
Revolving loans	40,770					
Capital leases	88,000					
<b>TOTAL PRINCIPAL</b>	<u>170,464</u>	<u>43,423</u>	<u>45,183</u>	<u>46,975</u>	<u>48,799</u>	<u>275,593</u>
<b>INTEREST</b>						
Revenue bonds	138,800	137,110	135,350	133,519	131,615	626,755
Revolving loans	1,466					
Capital leases						
<b>TOTAL INTEREST</b>	<u>140,266</u>	<u>137,110</u>	<u>135,350</u>	<u>133,519</u>	<u>131,615</u>	<u>626,755</u>
<b>TOTAL PRINCIPAL AND INTEREST</b>	<u>\$ 310,730</u>	<u>\$ 180,533</u>	<u>\$ 180,533</u>	<u>\$ 180,494</u>	<u>\$ 180,414</u>	<u>\$ 902,348</u>

<u>2022-2026</u>	<u>2027-2031</u>	<u>2032-2036</u>	<u>2037-2041</u>	<u>2042-2046</u>	<u>2047-2051</u>	<u>Total</u>
\$ 334,931	\$ 410,168	\$ 499,627	\$ 609,925	\$ 674,106	\$ 400,000	\$ 3,430,424 40,770 88,000
<u>334,931</u>	<u>410,168</u>	<u>499,627</u>	<u>609,925</u>	<u>674,106</u>	<u>400,000</u>	<u>3,559,194</u>
566,256	492,498	402,399	292,583	158,429	40,800	3,256,114 1,466 -
<u>566,256</u>	<u>492,498</u>	<u>402,399</u>	<u>292,583</u>	<u>158,429</u>	<u>40,800</u>	<u>3,257,580</u>
<u>\$ 901,187</u>	<u>\$ 902,666</u>	<u>\$ 902,026</u>	<u>\$ 902,508</u>	<u>\$ 832,535</u>	<u>\$ 440,800</u>	<u>\$ 6,816,774</u>