

CITY OF PLAINS, KANSAS

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

BYRON BIRD AND ASSOCIATES, CHARTERED
Certified Public Accountants
224 N. Lincoln
Liberal, Kansas 67901

CITY OF PLAINS, KANSAS
For the Year Ended December 31, 2011

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BYRON BIRD AND ASSOCIATES, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS
INDEPENDENT AUDITOR'S REPORT

620 - 624 - 1994
224 N. LINCOLN
LIBERAL, KANSAS 67901

To the Mayor and City Council
City of Plains
Plains, Kansas 67869

We have audited the accompanying summary of cash receipts, expenditures and unencumbered cash; summary of expenditures – actual and budget; and statement of cash receipts and expenditures – actual and budget for each fund of City of Plains, Kansas, as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the City of Plains primary government as listed in the table of contents. These financial statements are the responsibility of City of Plains, Kansas's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the City's 2010 financial statements and, in our report dated December 29, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component units, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1B, the City of Plains, Kansas 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 omission of the discretely presented component units, as discussed above, and 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 of Plains, Kansas 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 of America 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 the primary government of the City of Plains, Kansas as of December 31, 2011, and its cash receipts and expenditures and budgetary comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1B.

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2012, on our consideration of City of Plains, Kansas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Byron Bird and Associates, Chartered
BYRON BIRD AND ASSOCIATES, CHARTERED
December 28, 2012



BYRON BIRD AND ASSOCIATES, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS

620 - 624 - 1994
224 N. LINCOLN
LIBERAL, KANSAS 67901

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

The Mayor and City Council
City of Plains
Plains, Kansas 67869

We have audited the financial statements of City of Plains, Kansas, as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the City of Plains primary government, and have issued our report thereon dated December 28, 2012. As described in Note 1B, the City of Plains, Kansas prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Kansas Municipal Audit Guide.

Our report on the financial statements disclosed that the financial statements include only the financial activities of the primary government and that the financial activities of component units that form the reporting entity are not included.

Internal Control Over Financial Reporting

Management of City of Plains, Kansas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Plains, Kansas's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the primary government financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Plains, Kansas's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Plains, Kansas's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting. We found a lack of appropriate segregation of duties. This is the separation of employee responsibilities (custodial, recording, and authorizing) to prevent any one employee from committing and concealing irregularities. The city council does not have a corrective action plan due to cost and the current size of the City. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Plains, Kansas's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

City of Plains, Kansas's response to the findings identified in our audit is described above. We did not audit City of Plains, Kansas's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Council, others within the entity, and the Kansas Division of Accounts and Reports and is not intended to be and should not be used by anyone other than these specified parties.

Byron Bird and Associates, Chartered

BYRON BIRD AND ASSOCIATES, CHARTERED
December 28, 2012

CITY OF PLAINS, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2011

Statement 1

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:							
General Fund:							
General Fund	\$ 178,674	-	565,777	497,316	247,135	32,100	279,235
Special Revenue Funds:							
Special Highway	48,432	-	29,437	19,210	58,659	-	58,659
Debt Service Funds:							
Bond and Interest	-	-	11,838	11,838	-	-	-
Capital Project Funds:							
Community Building	-	-	34,928	16,457	18,471	-	18,471
Sewer Reserve	18,618	-	-	-	18,618	-	18,618
Proprietary Type Funds:							
Enterprise Funds:							
Water Fund	106,443	-	204,424	122,725	188,142	233	188,375
Refuse Fund	7,937	-	75,772	74,414	9,295	-	9,295
Meter Deposit Fund	<u>8,068</u>	<u>-</u>	<u>480</u>	<u>-</u>	<u>8,548</u>	<u>-</u>	<u>8,548</u>
Total Reporting Entity	\$ <u>368,172</u>	<u>-</u>	<u>922,656</u>	<u>741,960</u>	<u>548,868</u>	<u>32,333</u>	<u>581,201</u>
Composition of Cash:							
				Plains State Bank:			
				Checking			\$ 408,598
				CDs			116,423
				Meade State Bank:			
				CDs			<u>56,180</u>
				Total Reporting Entity			\$ <u>581,201</u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

CITY OF PLAINS, KANSAS
 Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2011

Statement 2

<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>Variance - Over (Under)</u>
Governmental Type Funds:					
General Fund:					
General	\$ 592,269	-	592,269	497,316	(94,953)
Special Revenue Funds:					
Special Highway	68,792	-	68,792	19,210	(49,582)
Debt Service Funds:					
Bond and Interest Fund	11,838	-	11,838	11,838	-
Proprietary Fund Types:					
Enterprise Funds:					
Water Fund	177,601	-	177,601	122,725	(54,876)
Refuse Fund	80,000	-	80,000	74,414	(5,586)

(The Notes to the Financial Statements are an Integral Part of This Statement)

CITY OF PLAINS, KANSAS

General Fund

Statement 3

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011
(with Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Over (Under)
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes and Shared Revenue:				
Ad Valorem Property Tax	\$ 230,594	234,203	243,992	(9,789)
Delinquent Tax	8,467	12,547	-	12,547
Motor Vehicle Tax	60,073	59,335	59,939	(604)
Recreational Vehicle Tax	1,241	1,225	1,415	(190)
16/20M Vehicle Tax	1,491	1,878	1,409	469
Local Alcoholic Liquor Tax	658	113	662	(549)
Local Sales & Compensating Use Tax	83,141	93,119	60,000	33,119
Franchise Tax	79,656	85,444	60,000	25,444
Licenses, Fees and Permits	4,712	1,724	5,000	(3,276)
Rent	667	281	2,500	(2,219)
Miscellaneous	452	1,976	200	1,776
Sewer Charges	41,391	38,343	40,000	(1,657)
Trash Dumpster	9,336	9,258	10,000	(742)
Streetscape	1,400	-	-	-
Park and Pool	13,763	16,141	15,000	1,141
Golf Course	12,263	8,225	15,000	(6,775)
Interest	3,717	1,965	2,000	(35)
Total Cash Receipts	<u>553,022</u>	<u>565,777</u>	<u>517,117</u>	<u>48,660</u>
Expenditures:				
Salaries	167,110	163,864	179,000	(15,136)
Employee Benefits	59,519	64,568	70,000	(5,432)
Contractual	-	-	2,000	(2,000)
Office Supplies	5,145	7,374	8,000	(626)
Improvements - Streetscape	500	-	-	-
Improvements	10,794	-	20,000	(20,000)
Telephone	12,190	12,752	15,000	(2,248)
Legal and Printing	13,061	9,785	20,000	(10,215)
Street Lights	17,310	17,963	20,000	(2,037)
Utilities	18,634	19,704	30,000	(10,296)
Insurance	16,553	22,001	20,000	2,001
Equipment Expense	-	-	20,000	(20,000)
Fire Department	7,351	6,399	13,000	(6,601)
Park	30,840	68,963	50,000	18,963
Sewer	6,745	14,306	20,000	(5,694)
Accounting and Audit	8,275	8,280	10,000	(1,720)
Fuel	8,236	7,786	10,000	(2,214)
Shop Supplies	-	-	2,000	(2,000)
Plant Supplies	3,443	-	-	-
Trash Rolloff Dumpster	13,480	15,222	20,000	(4,778)
Repairs and Maintenance	24,523	31,681	35,269	(3,588)
Street Repair	-	525	-	525
Golf Course	13,177	21,281	20,000	1,281
Travel and Education	4,650	1,881	5,000	(3,119)
Building Construction	181,033	-	-	-
Miscellaneous	2,623	2,981	3,000	(19)
Total Expenditures	<u>625,192</u>	<u>497,316</u>	<u>592,269</u>	<u>(94,953)</u>
Cash Receipts Over (Under) Expenditures	(72,170)	68,461		
Unencumbered Cash, Beginning	<u>250,844</u>	<u>178,674</u>		
Unencumbered Cash, Ending	\$ <u>178,674</u>	<u>247,135</u>		

(The Notes to the Financial Statements are an Integral Part of This Statement)

CITY OF PLAINS, KANSAS

Special Highway Fund

Statement 3

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

(with Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts				
Taxes and Shared Revenue:				
Gas Tax	\$ 29,614	<u>29,437</u>	<u>30,250</u>	<u>(813)</u>
Total Cash Receipts	<u>29,614</u>	<u>29,437</u>	<u>30,250</u>	<u>(813)</u>
Expenditures:				
Street Improvements	<u>-</u>	<u>19,210</u>	<u>68,792</u>	<u>(49,582)</u>
Total Expenditures	<u>-</u>	<u>19,210</u>	<u>68,792</u>	<u>(49,582)</u>
Cash Receipts Over (Under) Expenditures	29,614	10,227		
Unencumbered Cash, Beginning	<u>18,818</u>	<u>48,432</u>		
Unencumbered Cash, Ending	\$ <u>48,432</u>	<u>58,659</u>		

(The Notes to the Financial Statements are an Integral Part of This Statement)

CITY OF PLAINS, KANSAS

Bond and Interest Fund

Statement 3

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

(with Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year			Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts				
Transfer from Water Fund	\$ 12,138	11,838	11,838	-
Total Cash Receipts	<u>12,138</u>	<u>11,838</u>	<u>11,838</u>	<u>-</u>
Expenditures:				
Bond Principal	10,000	10,000	10,000	-
Bond Interest	2,138	1,837	1,838	(1)
Miscellaneous	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total Expenditures	<u>12,138</u>	<u>11,838</u>	<u>11,838</u>	<u>-</u>
Cash Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	\$ <u><u>-</u></u>	<u><u>-</u></u>		

(The Notes to the Financial Statements are an Integral Part of This Statement)

CITY OF PLAINS, KANSAS

Water Fund

Statement 3

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2011

(with Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year			Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts				
Charges for Services	\$ 164,864	204,424	150,000	54,424
Miscellaneous	-	-	-	-
Reimbursements	-	-	-	-
	164,864	204,424	150,000	54,424
Total Cash Receipts	<u>164,864</u>	<u>204,424</u>	<u>150,000</u>	<u>54,424</u>
Expenditures:				
Salaries	19,830	20,329	22,463	(2,134)
Employee Benefits	11,224	8,099	9,000	(901)
Plant Supplies	-	-	-	-
Equipment Expense	-	300	-	300
Repairs and Maintenance	19,368	44,684	36,000	8,684
Meters	-	-	10,000	(10,000)
Fuel and Utilities	24,586	33,389	30,000	3,389
Improvements and Equipment	19,970	-	45,000	(45,000)
Office Supplies	3,201	2,497	8,500	(6,003)
Meter Deposit Interest	381	434	-	434
Sales Tax	103	169	-	169
Travel and Education	1,420	856	4,000	(3,144)
Transfer to Bond & Interest	12,138	11,838	12,138	(300)
Miscellaneous	1,009	130	500	(370)
	113,230	122,725	177,601	(54,876)
Total Expenditures	<u>113,230</u>	<u>122,725</u>	<u>177,601</u>	<u>(54,876)</u>
Cash Receipts Over (Under) Expenditures	51,634	81,699		
Unencumbered Cash, Beginning	<u>54,809</u>	<u>106,443</u>		
Unencumbered Cash, Ending	\$ <u>106,443</u>	<u>188,142</u>		

(The Notes to the Financial Statements are an Integral Part of This Statement)

CITY OF PLAINS, KANSAS

Refuse Fund

Statement 3

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2011
 (with Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		Current Year		
	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts				
Charges for Services	\$ 76,291	<u>75,772</u>	<u>78,000</u>	<u>(2,228)</u>
Total Cash Receipts	<u>76,291</u>	<u>75,772</u>	<u>78,000</u>	<u>(2,228)</u>
Expenditures:				
Disposal	<u>75,868</u>	<u>74,414</u>	<u>80,000</u>	<u>(5,586)</u>
Total Expenditures	<u>75,868</u>	<u>74,414</u>	<u>80,000</u>	<u>(5,586)</u>
Cash Receipts Over (Under) Expenditures	423	1,358		
Unencumbered Cash, Beginning	<u>7,514</u>	<u>7,937</u>		
Unencumbered Cash, Ending	\$ <u>7,937</u>	<u>9,295</u>		

(The Notes to the Financial Statements are an Integral Part of This Statement)

CITY OF PLAINS, KANSAS

Community Building

Statement 3

Statement of Cash Receipts and Expenditures

For the Year Ended December 31, 2011

(with Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year	Current Year
Cash Receipts:		
CDBG Grant	395,000	-
Rent	1,080	4,255
Donations	\$ <u>150,040</u>	<u>30,673</u>
Total Cash Receipts	<u>546,120</u>	<u>34,928</u>
Expenditures:		
Utilities	1,358	3,373
Repairs and Maintenance	-	2,726
Building Construction	496,514	-
Grant Administrative Services	20,000	-
Miscellaneous	2,861	542
Improvements	<u>25,694</u>	<u>9,816</u>
Total Expenditures	<u>546,427</u>	<u>16,457</u>
Cash Receipts Over (Under) Expenditures	(307)	18,471
Unencumbered Cash, Beginning	<u>307</u>	<u>-</u>
Unencumbered Cash, Ending	\$ <u><u>-</u></u>	<u><u>18,471</u></u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

CITY OF PLAINS, KANSAS

Sewer Reserve

Statement 3

Statement of Cash Receipts and Expenditures

For the Year Ended December 31, 2011

(with Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>Prior Year</u>	<u>Current Year</u>
Cash Receipts:		
Other	\$ <u>-</u>	<u>-</u>
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures:		
Improvements	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>18,618</u>	<u>18,618</u>
Unencumbered Cash, Ending	\$ <u><u>18,618</u></u>	<u><u>18,618</u></u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

CITY OF PLAINS, KANSAS

Meter Deposit Fund

Statement 3

Statement of Cash Receipts and Expenditures

For the Year Ended December 31, 2011

(with Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>Prior Year</u>	<u>Current Year</u>
Cash Receipts:		
Meter Deposits	\$ <u>1,000</u>	<u>480</u>
Total Cash Receipts	<u>1,000</u>	<u>480</u>
Expenditures:		
Deposit Refunds	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Cash Receipts Over (Under) Expenditures	1,000	480
Unencumbered Cash, Beginning	<u>7,068</u>	<u>8,068</u>
Unencumbered Cash, Ending	\$ <u><u>8,068</u></u>	<u><u>8,548</u></u>

(The Notes to the Financial Statements are an Integral Part of This Statement)

CITY OF PLAINS, KANSAS
Notes to the Financial Statements
December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Plains is a municipal corporation governed by an elected five-member council. These financial statements present only the activity of the City of Plains (the primary government). The component unit is not included in the City's reporting entity.

Component Unit. The governing body of this component unit is appointed by the City.

1. Housing Authority. The City of Plains Housing Authority operates the city's housing projects. The housing authority can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the city. Financial statements for the housing authority can be obtained from Steve Kerr, 106 S. 6th, Cimarron, KS 67835.

B. 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 municipality 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.

C. 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 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 a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality 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.

D. Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which record cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose

CITY OF PLAINS, KANSAS
Notes to the Financial Statements
December 31, 2011

of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City for the year ending December 31, 2011.

Governmental Funds

General Funds – to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Capital Project Funds – to account for financial resources segregated for the acquisition of major capital facilities (other than those financed by Enterprise Funds).

Debt Service Funds – to account for the accumulation of resources for, and the payment of interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City.

Proprietary Funds

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 (expenses, including depreciation) 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 purpose.

E. Budgetary Information

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

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. 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. 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

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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 projects funds and fiduciary funds. 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.

F. Tax Cycle

The County Clerk must calculate 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 the County Treasurer, who prepares tax statements and receives payments.

These taxes become a lien against all property on November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20th and May 10th. Delinquent taxes are assessed interest at 18% per annum. This interest is retained by the County.

Taxes levied to finance the budget are made available to the City after January 1st and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January. Delinquent tax collections are distributed throughout the year.

G. Budgetary Comparisons

Statement 3 presents budgetary comparisons of the actual data on the budgetary basis, which includes encumbrances, with the legally adopted budget.

NOTE 2: Deposits and Investments

The City had no investments during the year ended December 31, 2011.

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

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

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

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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 has not designated "peak periods". All deposits were legally secured at December 31, 2011.

At December 31, 2011 the City's carrying amount of deposits was \$581,201. The bank balance was \$641,714. The bank balance was held by two banks resulting in a concentration of credit risk. The difference between the carrying amount and the bank balance is due to outstanding checks and deposits in transit. Of the bank balance, \$306,180 was covered by FDIC insurance and \$335,534 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the City, the pledging bank and the independent third-party bank holding the pledged securities.

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.

NOTE 3: Compliance with Finance – Related Legal and Contractual Provisions

Management is not aware of any statutory violations for the year ended December 31, 2011.

NOTE 4: Defined Benefit Pension Plan

Plan description. The City of Plains contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member-employees' contributions are withheld by their employer and paid to KPERS 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 bases.

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State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2011 is 6.74%. The City of Plains employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$10,365, \$10,079, and \$9,074, respectively, equal to the required contributions for each year as set forth by the legislature.

NOTE 5: Vacation and Compensated Absences

The City's liability arising from vacation and compensated absences is \$31,714 as of December 31, 2011.

NOTE 6: 2010 Financial Data

The amounts shown for FYE 2010 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with FYE 2011, and are not intended to present information necessary for a fair presentation.

NOTE 7: Capital Projects

There were no expenditures in Sewer Reserve Fund for the year ended December 31, 2011.

NOTE 8: Risk Management

The City is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruptions; errors and omission; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters.

NOTE 9: 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 federal government for this coverage. The premium is paid in full by the insured. There is no cost to the city under this program.

NOTE 10: Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
Water Fund	Bond and Interest Fund	K.S.A. 12-825d	\$ 11,838

NOTE 11: Accounts Payable

There is a possibility that the \$32,100 in accounts payable will be cancelled in the future. This is to pay for pool repairs that were done incorrectly and not yet corrected.

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NOTE 11: General Long-Term Debt

The City of Plains issued general obligation bonds in the amount of \$111,000 on June 1, 2004. These bonds plus interest will be repaid out of the water fund annually through 2014.

Changes in long-term liabilities for the City for the year ended December 31, 2011, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds:										
Series 2004	1.75 - 4.00	6/1/2004	\$111,000	12/1/2014	<u>\$ 50,000</u>	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>	<u>40,000</u>	<u>1,837</u>
Total Bonded Indebtedness					50,000	-	10,000	(10,000)	40,000	1,837
Compensated Absences	N/A	N/A	N/A	N/A	<u>42,041</u>	<u>-</u>	<u>10,327</u>	<u>(10,327)</u>	<u>31,714</u>	<u>-</u>
Total Long-Term Debt					<u>\$ 92,041</u>	<u>-</u>	<u>20,327</u>	<u>(20,327)</u>	<u>71,714</u>	<u>1,837</u>

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
PRINCIPAL				
General Obligation Bonds	<u>10,000</u>	<u>15,000</u>	<u>15,000</u>	<u>\$ 40,000</u>
INTEREST				
General Obligation Bonds	<u>1,513</u>	<u>1,163</u>	<u>600</u>	<u>\$ 3,276</u>
Total Principal and Interest	<u>11,513</u>	<u>16,163</u>	<u>15,600</u>	<u>\$ 43,276</u>