

**CITY OF STAFFORD, KANSAS**

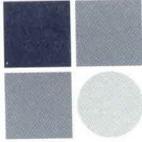
Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2011

**CITY OF STAFFORD, KANSAS**  
 Financial Statements With Independent Auditor's Report  
 For the Year Ended December 31, 2011

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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
**City of Stafford, Kansas**  
Stafford, Kansas

We have audited the accompanying financial statements of **City of Stafford, Kansas**, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of **City of Stafford, 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 Stafford, 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 Stafford, Kansas**, as of December 31, 2011, and the changes in its financial position for the year then ended

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 Stafford, Kansas**, 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 1.

*Adams, Brown, Beran & Ball, Chtd.*

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

August 13, 2012

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

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
<b>Governmental Fund Categories</b>							
<b>General Fund</b>	\$ 212,491	60	598,735	557,300	253,986	32,234	286,220
<b>Special Revenue Funds</b>							
Library Fund	2,081	-	17,662	17,662	2,081	-	2,081
Fire Equipment Reserve Fund	18,549	-	42,812	1,271	60,090	-	60,090
Airport Fund	29,124	-	3,160	3,724	28,560	-	28,560
Special Parks and Recreation Fund	7,798	-	1,185	-	8,983	-	8,983
Special Highway Fund	48,500	-	109,062	49,605	107,957	-	107,957
Employee Benefits Fund	42,990	-	-	42,990	-	-	-
Mini Bus Fund	5,192	-	-	1,248	3,944	-	3,944
Health Insurance Fund	99,324	-	-	99,324	-	-	-
Equipment Reserve Fund	25,461	-	6,050	-	31,511	-	31,511
Capital Improvement Fund	87,904	-	22,184	36,099	73,989	-	73,989
Centennial Fund	4,266	-	26	3,000	1,292	-	1,292
Community Education Fund	8,633	-	9,274	10,076	7,831	-	7,831
City Attorney Diversion Fund	2,017	-	305	-	2,322	-	2,322
Community Development Block Grant Fund	2,981	-	47,286	50,267	-	-	-
Tire Product Grant Fund	-	-	987	987	-	-	-
<b>Proprietary Fund Category</b>							
<b>Enterprise Funds</b>							
Power Plant Reserve Fund	161,084	-	-	-	161,084	-	161,084
Ritz Theatre Fund	1,196	-	20,859	19,568	2,487	840	3,327
Water and Light Fund	490,173	-	1,594,381	1,622,611	461,943	154,884	616,827
Sewer Service Fund	166,204	-	99,021	53,622	211,603	69	211,672
Trash Fund	2,511	-	105,886	103,065	5,332	8,755	14,087
<b>Total Primary Government</b>	1,418,479	60	2,678,875	2,672,419	1,424,995	196,782	1,621,777
<b>Component Unit</b>							
Nora E. Larabee Memorial Library Fund	29,581	-	37,452	37,225	29,808	2,832	32,640
<b>Total Reporting Entity (Excluding Agency Fund)</b>	\$ 1,448,060	60	2,716,327	2,709,644	1,454,803	199,614	1,654,417
			<b>Composition of Cash</b>				
							\$ 790,050
							17,923
							831,358
							100
							1,639,431
							32,640
							(17,654)
							\$ 1,654,417
							<u>1,654,417</u>

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

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

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>Governmental Fund Categories</b>					
<b>General Fund</b>	\$ 761,584	-	761,584	557,300	(204,284)
<b>Special Revenue Funds</b>					
Library Fund	19,406	-	19,406	17,662	(1,744)
Fire Equipment Reserve Fund	45,270	-	45,270	1,271	(43,999)
Airport Fund	16,804	-	16,804	3,724	(13,080)
Special Parks and Recreation Fund	6,849	-	6,849	-	(6,849)
Special Highway Fund	50,657	-	50,657	49,605	(1,052)
Employee Benefits Fund	108,341	-	108,341	42,990	(65,351)
Mini Bus Fund	1,248	-	1,248	1,248	-
Health Insurance Fund	131,759	-	131,759	99,324	(32,435)
Capital Improvement Fund	64,598	-	64,598	36,099	(28,499)
<b>Proprietary Fund Category</b>					
<b>Enterprise Funds</b>					
Ritz Theatre Fund	21,722	-	21,722	19,568	(2,154)
Water and Light Fund	1,725,225	-	1,725,225	1,622,611	(102,614)
Sewer Service Fund	180,983	-	180,983	53,622	(127,361)
Trash Fund	100,000	-	100,000	103,065	3,065

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

**CITY OF STAFFORD, KANSAS**  
**General Fund**  
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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property	\$ 108,896	129,286	137,440	(8,154)
Delinquent	5,233	3,031	2,500	531
Motor Vehicle	26,002	40,515	39,117	1,398
Recreational Vehicle	376	673	620	53
16/20 M Vehicle	463	687	781	(94)
Local Alcohol Liquor	1,297	1,185	1,000	185
County Sales	62,686	65,612	60,000	5,612
Franchise Tax	28,274	27,005	30,000	(2,995)
Intangible Tax	12,621	8,593	7,497	1,096
In Lieu of Tax	2,684	2,442	2,500	(58)
Fines and Forfeitures	4,636	9,076	5,000	4,076
Licenses and Permits	1,087	2,072	1,300	772
Swimming Pool	4,149	5,893	3,000	2,893
Reimbursed Expenses	14,352	12,608	2,000	10,608
Leases and Rentals	6,981	4,522	6,000	(1,478)
Interest	6,766	5,291	5,000	291
Mowing and Other	2,030	1,471	1,050	421
Transfers In	104,750	278,773	349,850	(71,077)
<b>Total Cash Receipts</b>	<b>393,283</b>	<b>598,735</b>	<b>654,655</b>	<b>(55,920)</b>
<b>Expenditures</b>				
General Administrative	39,397	55,169	52,500	2,669
Public Safety				
Fire Department	35,961	30,223	38,857	(8,634)
Police Department	171,723	201,319	173,800	27,519
Parks and Recreation	38,974	4,874	39,000	(34,126)
Swimming Pool	31,516	29,067	56,451	(27,384)
Public Works	25,106	107,318	84,465	22,853
Employee Benefits	-	116,832	259,958	(143,126)
Neighborhood Revitalization	3,374	4,040	3,553	487
Capital Outlay	2,538	4,377	-	4,377
Other	3,378	4,081	38,000	(33,919)
Transfers Out	7,300	-	15,000	(15,000)
<b>Total Expenditures</b>	<b>359,267</b>	<b>557,300</b>	<b>761,584</b>	<b>(204,284)</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>34,016</b>	<b>41,435</b>		
<b>Unencumbered Cash - Beginning</b>	<b>178,475</b>	<b>212,491</b>		
<b>Prior Year Cancelled Encumbrances</b>	<b>-</b>	<b>60</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 212,491</b>	<b>253,986</b>		

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

**CITY OF STAFFORD, KANSAS**  
**Library Fund**  
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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property	\$ 13,020	14,058	-	14,058
Delinquent	699	225	15,044	(14,819)
Motor Vehicle	3,362	3,251	3,082	169
Recreational Vehicle	49	54	49	5
16/20 M Vehicle	63	74	62	12
<b>Total Cash Receipts</b>	<u>17,193</u>	<u>17,662</u>	<u>18,237</u>	<u>(575)</u>
<b>Expenditures</b>				
Appropriations to Library Board	16,790	17,223	19,000	(1,777)
Neighborhood Revitalization	403	439	406	33
<b>Total Expenditures</b>	<u>17,193</u>	<u>17,662</u>	<u>19,406</u>	<u>(1,744)</u>
Cash Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash - Beginning	<u>2,081</u>	<u>2,081</u>		
Unencumbered Cash - Ending	\$ <u>2,081</u>	<u>2,081</u>		

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

**CITY OF STAFFORD, KANSAS**  
**Fire Equipment Reserve Fund**  
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 Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property	\$ 5,936	40,701	43,268	(2,567)
Delinquent	548	243	100	143
Motor Vehicle	1,452	1,518	1,466	52
Recreational Vehicle	21	25	23	2
16/20 M Vehicle	25	216	29	187
Interest	117	109	100	9
<b>Total Cash Receipts</b>	<b>8,099</b>	<b>42,812</b>	<b>44,986</b>	<b>(2,174)</b>
<b>Expenditures</b>				
Equipment and Maintenance	-	-	43,762	(43,762)
Neighborhood Revitalization	192	1,271	1,508	(237)
<b>Total Expenditures</b>	<b>192</b>	<b>1,271</b>	<b>45,270</b>	<b>(43,999)</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>7,907</b>	<b>41,541</b>		
<b>Unencumbered Cash - Beginning</b>	<b>10,642</b>	<b>18,549</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 18,549</b>	<b>60,090</b>		

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

**CITY OF STAFFORD, KANSAS**  
**Airport Fund**  
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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property	\$ 773	11	-	11
Delinquent	37	-	-	-
Motor Vehicle	181	190	183	7
Recreational Vehicle	3	3	3	-
16/20 M Vehicle	3	-	4	(4)
Sale of Crops and Hangar Rental	1,800	2,205	2,000	205
Interest	564	203	-	203
Other	584	548	-	548
<b>Total Cash Receipts</b>	<u>3,945</u>	<u>3,160</u>	<u>2,190</u>	<u>970</u>
<b>Expenditures</b>				
Personal Services	1,929	-	3,799	(3,799)
Health Insurance and Benefits	578	-	1,305	(1,305)
Contractual Services	1,860	3,538	8,500	(4,962)
Commodities	-	186	1,200	(1,014)
Neighborhood Revitalization	24	-	-	-
Capital Outlay	-	-	2,000	(2,000)
<b>Total Expenditures</b>	<u>4,391</u>	<u>3,724</u>	<u>16,804</u>	<u>(13,080)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(446)	(564)		
<b>Unencumbered Cash - Beginning</b>	<u>29,570</u>	<u>29,124</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>29,124</u>	<u>28,560</u>		

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

**CITY OF STAFFORD, KANSAS**  
**Special Parks and Recreation Fund**  
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 Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Local Alcohol Liquor	\$ 1,297	<b>1,185</b>	<u>1,200</u>	<u>(15)</u>
<b>Expenditures</b>				
Contractual Services	25	-	1,000	(1,000)
Commodities	-	-	1,000	(1,000)
Capital Outlay	-	-	<u>4,849</u>	<u>(4,849)</u>
<b>Total Expenditures</b>	<u>25</u>	<u>-</u>	<u>6,849</u>	<u>(6,849)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	1,272	<b>1,185</b>		
<b>Unencumbered Cash - Beginning</b>	<u>6,526</u>	<u>7,798</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>7,798</u>	<u>8,983</u>		

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

**CITY OF STAFFORD, KANSAS**  
**Special Highway Fund**  
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 Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
State Gasoline Tax	\$ 27,664	27,062	28,450	(1,388)
Transfers In	-	82,000	-	82,000
<b>Total Cash Receipts</b>	<u>27,664</u>	<u>109,062</u>	<u>28,450</u>	<u>80,612</u>
<b>Expenditures</b>				
Personal Services	5,798	5,770	6,900	(1,130)
Health Insurance and Benefits	2,382	1,795	1,650	145
Commodities	14,090	42,040	42,107	(67)
Transfers Out	1,000	-	-	-
<b>Total Expenditures</b>	<u>23,270</u>	<u>49,605</u>	<u>50,657</u>	<u>(1,052)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	4,394	59,457		
<b>Unencumbered Cash - Beginning</b>	<u>44,106</u>	<u>48,500</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>48,500</u>	<u>107,957</u>		

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

**CITY OF STAFFORD, KANSAS**  
**Employee Benefits Fund**  
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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes and Shared Revenues				
Ad Valorem Property	\$ 56,331	-	-	-
Delinquent	2,199	-	-	-
Motor Vehicle	12,768	-	-	-
Recreational Vehicle	183	-	-	-
16/20 M Vehicle	206	-	-	-
Interest	683	-	-	-
Reimbursed Expenses	32,137	-	-	-
<b>Total Cash Receipts</b>	<b>104,507</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>				
Social Security	36,067	-	-	-
KPERS	29,454	-	-	-
Workers' Compensation	8,616	-	-	-
Unemployment Insurance	2,445	764	-	764
Health Insurance	37,191	-	-	-
Neighborhood Revitalization	1,745	-	-	-
Transfers Out	15,000	42,226	108,341	(66,115)
<b>Total Expenditures</b>	<b>130,518</b>	<b>42,990</b>	<b>108,341</b>	<b>(65,351)</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>(26,011)</b>	<b>(42,990)</b>		
<b>Unencumbered Cash - Beginning</b>	<b>69,001</b>	<b>42,990</b>		
<b>Unencumbered Cash - Ending</b>	<b>\$ 42,990</b>	<b>-</b>		

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

**CITY OF STAFFORD, KANSAS**  
**Mini Bus Fund**  
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 Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Cash Receipts</b>				
Collections and Other Reimbursements	\$ -	-	750	(750)
Sale of Assets	5,010	-	-	-
<b>Total Cash Receipts</b>	<u>5,010</u>	<u>-</u>	<u>750</u>	<u>(750)</u>
<b>Expenditures</b>				
Insurance	819	-	848	(848)
Gas, Oil, etc.	147	-	400	(400)
Transfers Out	-	1,248	-	1,248
<b>Total Expenditures</b>	<u>966</u>	<u>1,248</u>	<u>1,248</u>	<u>-</u>
<b>Cash Receipts Over (Under) Expenditures</b>	4,044	(1,248)		
<b>Unencumbered Cash - Beginning</b>	<u>1,148</u>	<u>5,192</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>5,192</u>	<u>3,944</u>		

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

**CITY OF STAFFORD, KANSAS**  
**Health Insurance Fund**  
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 Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Employee Contributions	\$ 120,274	-	-	-
Interest	1,338	-	-	-
Miscellaneous	601	-	-	-
Transfers In	40,750	-	-	-
<b>Total Cash Receipts</b>	<u>162,963</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Insurance Premiums	122,275	-	-	-
Employee Claims	46,476	25	-	25
Transfers Out	-	99,299	131,759	(32,460)
<b>Total Expenditures</b>	<u>168,751</u>	<u>99,324</u>	<u>131,759</u>	<u>(32,435)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(5,788)	(99,324)		
<b>Unencumbered Cash - Beginning</b>	<u>105,112</u>	<u>99,324</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>99,324</u>	<u>-</u>		

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

**CITY OF STAFFORD, KANSAS**  
**Equipment Reserve Fund**  
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 Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 1,575	1,050
Transfers In	7,300	5,000
<b>Total Cash Receipts</b>	<b>8,875</b>	<b>6,050</b>
<b>Expenditures</b>		
Capital Outlay	20,512	-
<b>Cash Receipts Over (Under) Expenditures</b>	<b>(11,637)</b>	<b>6,050</b>
<b>Unencumbered Cash - Beginning</b>	<b>37,098</b>	<b>25,461</b>
<b>Unencumbered Cash - Ending</b>	<b>\$ 25,461</b>	<b>31,511</b>

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

**CITY OF STAFFORD, KANSAS**  
**Capital Improvement Fund**  
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 Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
User Fees	\$ 22,306	<u>22,184</u>	<u>22,000</u>	<u>184</u>
<b>Expenditures</b>				
Capital Outlay	-	<u>36,099</u>	54,598	(18,499)
Swimming Pool Repairs	-	-	<u>10,000</u>	<u>(10,000)</u>
<b>Total Expenditures</b>	-	<u>36,099</u>	<u>64,598</u>	<u>(28,499)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	22,306	<b>(13,915)</b>		
<b>Unencumbered Cash - Beginning</b>	<u>65,598</u>	<u>87,904</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>87,904</u>	<u>73,989</u>		

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

**CITY OF STAFFORD, KANSAS**  
**Centennial Fund**  
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 Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 81	26
<b>Expenditures</b>		
Celebration	13,957	-
Capital Outlay	-	3,000
<b>Total Expenditures</b>	<b>13,957</b>	<b>3,000</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>(13,876)</b>	<b>(2,974)</b>
<b>Unencumbered Cash - Beginning</b>	<b>18,142</b>	<b>4,266</b>
<b>Unencumbered Cash - Ending</b>	<b>\$ 4,266</b>	<b>1,292</b>

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

**CITY OF STAFFORD, KANSAS**  
**Community Education Fund**  
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 Actual	Current Year Actual
<b>Cash Receipts</b>		
Donations	\$ 2,220	1,558
Sale of Assets	5,350	2,126
Reimbursed Expenses	4,819	5,590
<b>Total Cash Receipts</b>	<u>12,389</u>	<u>9,274</u>
<b>Expenditures</b>		
Donations	100	645
Educational Materials	4,010	1,765
Contractual Services	3,299	7,666
<b>Total Expenditures</b>	<u>7,409</u>	<u>10,076</u>
<b>Cash Receipts Over (Under) Expenditures</b>	4,980	(802)
<b>Unencumbered Cash - Beginning</b>	<u>3,653</u>	<u>8,633</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 8,633</u>	<u>7,831</u>

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

**CITY OF STAFFORD, KANSAS**  
**City Attorney Diversion Fund**  
 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 Actual	Current Year Actual
<b>Cash Receipts</b>		
Interest	\$ 10	4
Diversion Fees	300	301
<b>Total Cash Receipts</b>	310	305
<b>Expenditures</b>	-	-
<b>Cash Receipts Over (Under) Expenditures</b>	310	305
<b>Unencumbered Cash - Beginning</b>	1,707	2,017
<b>Unencumbered Cash - Ending</b>	\$ 2,017	2,322

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

**CITY OF STAFFORD, KANSAS**  
**Community Development Block Grant Fund**  
**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 Actual	Current Year Actual
<b>Cash Receipts</b>		
Federal Aid	\$ 18,800	47,286
Interest	7	-
<b>Total Cash Receipts</b>	<u>18,807</u>	<u>47,286</u>
<b>Expenditures</b>		
Administrative	5,271	6,292
Engineering	4,550	-
Construction	14,250	43,233
Transfers Out	-	742
<b>Total Expenditures</b>	<u>24,071</u>	<u>50,267</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(5,264)	(2,981)
<b>Unencumbered Cash - Beginning</b>	<u>8,245</u>	<u>2,981</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ 2,981</u>	<u>-</u>

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

**CITY OF STAFFORD, KANSAS**  
**Street Improvement Fund**  
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 Actual	Current Year Actual
<b>Cash Receipts</b>		
Transfers In	\$ 139,827	-
<b>Expenditures</b>		
Contractual Services	139,827	-
<b>Cash Receipts Over (Under) Expenditures</b>	-	-
<b>Unencumbered Cash - Beginning</b>	-	-
<b>Unencumbered Cash - Ending</b>	\$ -	-

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

**CITY OF STAFFORD, KANSAS**  
**Tire Product Grant Fund**  
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 Actual	Current Year Actual
<b>Cash Receipts</b>		
State Aid	\$ 986	987
<b>Expenditures</b>		
Commodities	12	-
Capital Outlay	974	987
<b>Total Expenditures</b>	<u>986</u>	<u>987</u>
<b>Cash Receipts Over (Under) Expenditures</b>	-	-
<b>Unencumbered Cash - Beginning</b>	<u>-</u>	<u>-</u>
<b>Unencumbered Cash - Ending</b>	<u>\$ -</u>	<u>-</u>

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

**CITY OF STAFFORD, KANSAS**  
**Power Plant Reserve Fund**  
 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 Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	161,084	161,084
Unencumbered Cash - Ending	\$ 161,084	161,084

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

**CITY OF STAFFORD, KANSAS**  
**Ritz Theatre Fund**  
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 Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Cash Receipts</b>				
Sales	\$ 13,596	<b>14,538</b>	15,000	(462)
Donations and Miscellaneous	-	<b>321</b>	100	221
Transfers In	3,000	<b>6,000</b>	5,000	1,000
<b>Total Cash Receipts</b>	<u>16,596</u>	<u><b>20,859</b></u>	<u>20,100</u>	<u>759</u>
<b>Expenditures</b>				
Salaries and Benefits	6,937	<b>8,302</b>	6,500	1,802
Contractual Services	8,198	<b>6,726</b>	7,700	(974)
Commodities	3,788	<b>4,540</b>	7,522	(2,982)
<b>Total Expenditures</b>	<u>18,923</u>	<u><b>19,568</b></u>	<u>21,722</u>	<u>(2,154)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(2,327)	<b>1,291</b>		
<b>Unencumbered Cash - Beginning</b>	<u>3,523</u>	<u><b>1,196</b></u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>1,196</u>	<u><b>2,487</b></u>		

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

**CITY OF STAFFORD, KANSAS**  
**Water and Light Fund**  
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 Actual	Current Year		Variance Over Under (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Sales and Services	\$ 1,338,299	1,383,336	1,300,000	83,336
Penalties	19,763	19,530	15,000	4,530
Sales Tax	23,799	24,380	20,000	4,380
Interest	15,059	7,552	8,000	(448)
Connection Fees	2,868	4,663	3,000	1,663
Reimbursed Expenses	1,646	154,178	4,500	149,678
Transfers In	25,000	742	-	742
<b>Total Cash Receipts</b>	<u>1,426,434</u>	<u>1,594,381</u>	<u>1,350,500</u>	<u>243,881</u>
<b>Expenditures</b>				
Power Plant Production	814,495	861,111	1,050,768	(189,657)
Transmission and Distribution				
Electric	58,853	68,147	90,250	(22,103)
Water	57,339	38,852	73,787	(34,935)
Combined	70,290	63,952	76,500	(12,548)
General Administrative	201,608	231,023	233,500	(2,477)
Sales and Use Tax	29,420	28,118	22,000	6,118
Water Resource Tax	2,624	3,294	3,500	(206)
Community Development and Promotion	16,473	7,170	16,500	(9,330)
Capital Outlay	6,133	142,944	92,670	50,274
Transfers Out	227,327	178,000	65,750	112,250
<b>Total Expenditures</b>	<u>1,484,562</u>	<u>1,622,611</u>	<u>1,725,225</u>	<u>(102,614)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	(58,128)	(28,230)		
<b>Unencumbered Cash - Beginning</b>	<u>548,301</u>	<u>490,173</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>490,173</u>	<u>461,943</u>		

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

**CITY OF STAFFORD, KANSAS**  
**Sewer Service Fund**  
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 Actual	Current Year		Variance Over Under
		Actual	Budget	
<b>Cash Receipts</b>				
User Fees	\$ 97,338	97,792	100,000	(2,208)
Interest	1,767	1,229	1,000	229
Other	17	-	50	(50)
<b>Total Cash Receipts</b>	<u>99,122</u>	<u>99,021</u>	<u>101,050</u>	<u>(2,029)</u>
<b>Expenditures</b>				
Personal Services	4,307	556	15,812	(15,256)
Health Insurance and Benefits	3,273	5	15,700	(15,695)
Contractual Services	-	10	50	(40)
Commodities	4,660	3,051	20,000	(16,949)
Capital Outlay	-	-	85,421	(85,421)
Transfers Out	45,000	50,000	44,000	6,000
<b>Total Expenditures</b>	<u>57,240</u>	<u>53,622</u>	<u>180,983</u>	<u>(127,361)</u>
<b>Cash Receipts Over (Under) Expenditures</b>	41,882	45,399		
<b>Unencumbered Cash - Beginning</b>	<u>124,322</u>	<u>166,204</u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>166,204</u>	<u>211,603</u>		

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

**CITY OF STAFFORD, KANSAS**  
**Trash Fund**  
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 Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
<b>Cash Receipts</b>				
Trash Service Collections	\$ 97,992	<b>105,886</b>	97,500	8,386
<b>Expenditures</b>				
Contractual Services	96,251	<b>102,065</b>	95,000	7,065
Transfers Out	-	<b>1,000</b>	5,000	(4,000)
<b>Total Expenditures</b>	<u>96,251</u>	<u><b>103,065</b></u>	<u>100,000</u>	<u>3,065</u>
<b>Cash Receipts Over (Under) Expenditures</b>	1,741	<b>2,821</b>		
<b>Unencumbered Cash - Beginning</b>	<u>770</u>	<u><b>2,511</b></u>		
<b>Unencumbered Cash - Ending</b>	\$ <u>2,511</u>	<u><b>5,332</b></u>		

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

**CITY OF STAFFORD, KANSAS**  
**Light and Water Bond Reserve Fund**  
 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 Actual	Current Year Actual
<b>Cash Receipts</b>	\$ -	-
<b>Expenditures</b>		
Transfer Out	25,000	-
<b>Cash Receipts Over (Under) Expenditures</b>	(25,000)	-
<b>Unencumbered Cash - Beginning</b>	25,000	-
<b>Unencumbered Cash - Ending</b>	\$ -	-

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

**CITY OF STAFFORD, KANSAS**  
**Nora E. Larabee Memorial Library Fund**  
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 Actual	Current Year Actual
<b>Cash Receipts</b>		
Intergovernmental Revenue		
State Aid	\$ 578	507
Appropriation From City	17,960	22,055
Donations, Contributions, and Other	11,065	5,000
Interest	730	406
South Central Kansas Library	9,216	9,010
Fines and Miscellaneous	26	474
Insurance Reimbursement	466	-
<b>Total Cash Receipts</b>	<b>40,041</b>	<b>37,452</b>
<b>Expenditures</b>		
Personal Services	31,342	30,747
Books and Periodicals	634	322
Computer Supplies and Expense	575	476
Supplies and Postage	845	828
Insurance	2,228	2,535
Telephone	664	681
Maintenance	1,076	50
Contract Labor	420	420
Other	784	1,166
<b>Total Expenditures</b>	<b>38,568</b>	<b>37,225</b>
<b>Cash Receipts Over (Under) Expenditures</b>	<b>1,473</b>	<b>227</b>
<b>Unencumbered Cash - Beginning</b>	<b>28,108</b>	<b>29,581</b>
<b>Unencumbered Cash - Ending</b>	<b>\$ 29,581</b>	<b>29,808</b>

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

**CITY OF STAFFORD, KANSAS**  
**Agency Fund**  
Summary of Cash Receipts and Cash Disbursements  
For the Year Ended December 31, 2011

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Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Meter Deposit Fund	\$ 11,837	5,954	137	17,654

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

**CITY OF STAFFORD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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

**City of Stafford, 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. The 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 relationships 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.

**Public Library**

The City's Library Board operates the Nora E. Larabee Memorial Library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by 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.

**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 the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these 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 defined as 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 is 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, 2011.

**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 STAFFORD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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 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 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.

**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 1<sup>st</sup>.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.

**CITY OF STAFFORD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- 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 two budget amendments for this year for the Ritz Theatre Fund and the Trash Fund.

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 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, fiduciary funds, and the following special revenue funds: Equipment Reserve Fund, Centennial Fund, Community Education Fund, City Attorney Diversion Fund, Community Development Block Grant Fund, Street Improvement Fund, and Tire Product Grant 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.

K.S.A. 12-1675 limits the City's investments 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.

**CITY OF STAFFORD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 K.S.A. 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 does not use "peak periods". All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$1,639,431 and the bank balance was \$1,763,902. The City's bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$258,659 was covered by federal depository insurance, and \$1,505,243 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2011, the Nora E. Larabee Memorial Library's carrying amount of deposits was \$32,640 and the bank balance was \$36,004. The Library's 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, 2011.

**Compensated Absences**

**Vacation**

The City and Library's policy regarding vacation is that a full-time employee will accrue 8 hours per month for the first 10 years of employment. After 10 years, 12 hours per month of vacation is accrued. After 20 years, 16 hours per month of vacation is accrued. Employees are allowed to carry over no more than 18 days of vacation from one year to the next for the first 10 years of employment. After 10 years, employees are allowed to carry over no more than 27 days of vacation from one year to the next. After 20 years, employees are allowed to carry over no more than 36 days of vacation from one year to the next. Upon termination, an employee shall be compensated for all earned but unused vacation at their final rate of pay.

**Sick Leave**

The City and Library's policy regarding sick leave is that a full-time employee can accumulate sick leave at 8 hours per month worked up to a maximum of 90 days, which is cancelled upon the termination of the employee.

A potential liability for accumulated vacation and sick leave is shown in the long-term debt note.

**Deferred Compensation Plan**

The City sponsors a deferred compensation plan under Internal Revenue Code Section 457. 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.

**CITY OF STAFFORD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Defined Benefit Pension Plan**

**Plan Description**

The City contributes 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 66603-3869) 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% (if 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 2011 was 7.74%. The City's employer contributions to KPERs for the years ending December 31, 2011, 2010 and 2009 were \$ 35,622, \$33,362, and \$26,755 respectively, equal to the required contributions for each year as set forth by the legislature. The Library's employer contributions to KPERs for the years ending December 31, 2011, 2010 and 2009 were \$2,057, \$1,925, and \$1,562 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 federal government 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.

**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 agency fund of the City.

**CITY OF STAFFORD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 – 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. **City of Stafford, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2011 were as follows:

From	To	Statutory Authority	Amount
Water and Light Fund	General Fund	K.S.A. 12-825d	\$ 85,000
Water and Light Fund	Special Highway Fund	K.S.A. 12-825d	82,000
Water and Light Fund	Equipment Reserve Fund	K.S.A. 12-825d	5,000
Water and Light Fund	Ritz Theatre Fund	K.S.A. 12-825d	6,000
Employee Benefits Fund	General Fund	Closing Fund	42,226
Health Insurance Fund	General Fund	Closing Fund	99,299
Sewer Service Fund	General Fund	K.S.A. 12-825d	50,000
Mini Bus Fund	General Fund	Closing Fund	1,248
Trash Fund	General Fund	K.S.A. 12-825d	1,000
Community Development Block Grant Fund	Water and Light Fund	Closing Fund	742

**NOTE 3 – LITIGATION**

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

**NOTE 4 – RISK MANAGEMENT**

**City of Stafford, Kansas** is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain Workers' Compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the State to participate in the Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for 140 participating members.

The City pays an annual premium to KMIT for its Workers' Compensation and Employers' Liability insurance coverage. This agreement to participate provides that the KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by the KMIT's management. During 2011, the City contributed \$13,174 to the fund for this insurance coverage.

**CITY OF STAFFORD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 4 – RISK MANAGEMENT (continued)**

The City carries commercial insurance for all other risks of loss, including property, general liability, inland marine, automobile, umbrella, linebacker, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 5 – GRANTS AND SHARED REVENUES**

**City of Stafford, 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 6 – 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 Stafford, 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 7 – OPERATING LEASES**

On May 24, 2010, **City of Stafford, Kansas** entered into a lease agreement with Office Products Incorporated to lease a copier. The agreement calls for monthly payments of \$76 for 55 months. Payments totaling \$909 were made in 2011. Future scheduled payments to maturity are as follows:

<u>Year</u>		<u>Amount</u>
2012	\$	909
2013		909
2014		75
Total	\$	<u>1,893</u>

**NOTE 8 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**City of Stafford, Kansas** entered into a contract for street improvements that exceeded \$100,000 and the contractor was not properly bonded, which is a violation of K.S.A. 60-1111.

The City entered into a contract for street improvements that did not comply with the mandatory nondiscrimination provisions, which is a violation of K.S.A. 44-1030.

The City did not publish the financial statements for the required four quarters, showing by fund the beginning and ending balances, receipts, and expenditures along with obligation/liability information, which is a violation of K.S.A. 12-1608.

The City did not submit unpaid special assessments to the county clerk in a timely manner, which is a violation of K.S.A. 12-6a10.

**CITY OF STAFFORD, KANSAS**  
Notes to Financial Statements  
December 31, 2011

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**NOTE 8 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

The City exceeded the adopted budget of expenditures in the Trash Fund by \$3,065, which is a violation of K.S.A. 79-2935.

The City did not allocate local alcohol tax revenue equally between the General Fund and Special Parks and Recreation Fund, which is a violation of K.S.A. 79-41a04.

The Library has outstanding checks over two years, which is a violation of K.S.A. 10-816.

**NOTE 9 – LONG-TERM DEBT**

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

**Capital Leases Payable**

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

**Loan Warrants**

The City has loan warrants from the Fireman's Relief Association. The funds were used to build a fire station.

CITY OF STAFFORD, KANSAS  
Notes to Financial Statements  
For the Year Ended December 31, 2011

NOTE 9 - LONG-TERM DEBT (continued)

Changes in long-term liabilities for the City for the year ended December 31, 2011, 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
<b>Loan Warrants Payable</b>	3.00%	01/02/2003	\$ 50,000	01/02/2012	\$ 10,000	-	5,000		5,000	225
<b>Capital Leases Payable</b>										
Asphalt Zipper	3.25%	05/22/2009	87,445	05/22/2014	71,796	-	16,519		55,277	3,993
JCB 3CX 4 Wheel Loader Backhoe	3.45%	08/16/2010	63,850	08/16/2015	63,850	-	11,857		51,993	2,288
2 2010 Ford F-150 Pickups	4.59%	11/10/2010	55,756	11/10/2014	55,756	-	12,995		42,761	2,616
<b>Total Contractual Indebtedness</b>					201,402	-	46,371	-	155,031	9,122
<b>Compensated Absences</b>					83,685			(16,053)	67,632	
<b>Component Unit Compensated Absences</b>					17,280				17,280	
<b>Total Long-Term Debt</b>					<u>\$ 302,367</u>	<u>-</u>	<u>46,371</u>	<u>(16,053)</u>	<u>239,943</u>	<u>9,122</u>

Current maturities of long-term debt and interest for the next four years through maturity are as follows:

	YEAR				Total
	2012	2013	2014	2015	
<b>Principal</b>					
Loan Warrants Payable	5,000	-	-	-	5,000
Capital Leases Payable	\$ 43,363	45,407	47,546	13,715	150,031
<b>Total Principal</b>	<u>48,363</u>	<u>45,407</u>	<u>47,546</u>	<u>13,715</u>	<u>155,031</u>
<b>Interest</b>					
Loan Warrants Payable	76	-	-	-	76
Capital Leases Payable	6,903	4,858	2,720	480	14,961
<b>Total Interest</b>	<u>6,979</u>	<u>4,858</u>	<u>2,720</u>	<u>480</u>	<u>15,037</u>
<b>Total Principal and Interest</b>	<u>\$ 55,342</u>	<u>50,265</u>	<u>50,266</u>	<u>14,195</u>	<u>170,068</u>