

CITY OF QUINTER, KANSAS
Audit Report
January 1, 2008 to December 31, 2008

MAPES & MILLER
Certified Public Accountants
Quinter, Kansas

CITY OF QUINTER, KANSAS
Financial Statements
January 1, 2008 to December 31, 2008

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Quinter
Quinter, Kansas 67752

We have audited the accompanying financial statements of the City of Quinter, Kansas, as of and for the year ended December 31, 2008, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Quinter, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance 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 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 or 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 1, the City has prepared these financial statements in conformity with accounting practices prescribed 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 Quinter, Kansas as of December 31, 2008, or the changes in its financial position for the year then ended.

Also, 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 Quinter, Kansas, as of December 31, 2008, and its cash receipts and expenditures, and budgetary comparisons for the year ended, taken as a whole, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the governing body and management of the City, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and other federal and state agencies to whose jurisdiction the City is subject, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the City Council is a matter of public record.

Mapes & Miller

Certified Public Accountants
July 16, 2009

CITY OF QUINTER, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2008

STATEMENT 1

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:						
General Funds						
General Fund	95,280	436,998	358,236	174,042	14,521	188,563
Special Revenue Funds						
Library Fund	3,800	55,430	55,500	3,730		3,730
Employee Benefits Fund	31,642	8,476	33,525	6,593	3,958	10,551
Special Highway Fund	4,361	23,610	27,971	0		0
Equipment Reserve Fund	21,980	5,000	0	26,980		26,980
Special Highway Improvement Fund	4,357	0	4,357	0		0
Capital Improvement Fund	20,650	0	0	20,650		20,650
City Park Donations Fund	2,637	0	0	2,637		2,637
Proprietary Type Funds:						
Enterprise Funds						
Water Utility - Revenue Fund	49,307	117,619	122,022	44,904		44,904
Water Utility - Principal & Interest Fund	41,916	37,849	40,839	38,926		38,926
Water Utility - Operations & Maintenance Fund	0	122,022	122,022	0	526	526
Water Utility - Bond Reserve Fund	10,400	0	0	10,400		10,400
Sewer Utility Fund	34,423	23,324	21,883	35,864	675	36,539
Sewer Utility - Principal & Interest Fund	45,003	59,949	32,391	72,561		72,561
Sewer Improvement Fund	0	492,617	492,617	0		0
Fiduciary Type Funds:						
Private Purpose Trust Funds						
Revolving Loan I Fund	13,494	6,474	0	19,968		19,968
Revolving Loan II Fund	19,106	12,531	218	31,419		31,419
CDBG - Swift Bullet Fund	536	0	536	0		0
Total Reporting Entity	\$ 398,892	1,401,899	1,312,117	488,674	19,680	508,354

Composition of Cash:

First National Bank, Quinter	\$ 1,000
Checking Accounts	453,941
Money Market Accounts	53,413
NOW Accounts	0
Total First National Bank	\$ 508,354

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

STATEMENT 2

CITY OF QUINTER, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2008

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Type Funds:					
General Funds					
General Fund	\$ 420,819	0	420,819	358,236	(62,583)
Special Revenue Funds					
Library Fund	55,500	0	55,500	55,500	0
Employee Benefits Fund	34,300	0	34,300	33,525	(775)
Special Highway Fund	42,654	0	42,654	27,971	(14,683)
Proprietary Type Funds:					
Enterprise Funds					
Water Utility - Revenue Fund	147,000	0	147,000	122,022	(24,978)
Water Utility - Principal & Interest Fund	45,847	0	45,847	40,839	(5,008)
Water Utility - Operations & Maintenance Fund	137,000	0	137,000	122,022	(14,978)
Sewer Utility Fund	31,000	0	31,000	21,883	(9,117)
Sewer Utility - Principal & Interest Fund	97,844	0	97,844	32,391	(65,453)

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

CITY OF QUINTER, KANSAS
 General Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2008

STATEMENT 3
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	Actual	Budget	Variance Over (Under)
Cash Receipts			
Taxes and Shared Revenue:			
Ad Valorem Property Tax	\$ 198,089	202,350	(4,261)
Delinquent Tax	1,559	0	1,559
Motor Vehicle Tax	22,943	15,982	6,961
Recreational Vehicle Tax	760	785	(25)
16/20M Vehicle Tax	168	107	61
Intergovernmental:			
Local Intangible Tax	23,143	20,041	3,102
Sales Tax	75,587	60,000	15,587
Compensating Use Tax	11,450	0	11,450
Federal Aid	375	0	375
Franchise Fees	31,983	30,000	1,983
Fines, Permits, Licenses, and Tags	1,548	2,000	(452)
Swimming Pool	10,226	8,000	2,226
Interest on Idle Funds	8,565	10,000	(1,435)
Recreation	13,561	18,000	(4,439)
Concession Stand	7,480	0	7,480
Rural Fire-Townships	11,887	8,900	2,987
Miscellaneous Income	13,362	3,000	10,362
Fire Chief Account - Donations	1,745	0	1,745
Reimbursements	2,567	0	2,567
Transfer from Water Utility - Revenue Fund	0	10,000	(10,000)
Total Cash Receipt:	436,998	389,165	47,833
Expenditures			
General Government			
Personal Services	69,271	56,000	13,271
Contractual Services	15,593	4,500	11,093
Commodities	5,076	10,000	(4,924)
Telephone	5,229	4,500	729
Insurance	20,425	30,000	(9,575)
Miscellaneous	370	6,000	(5,630)
Meetings, Seminars, and Travel	4,160	6,000	(1,840)
Total General Government	120,124	117,000	3,124
Police			
Personal Services	3,120	31,000	(27,880)
Contractual Services	1,808	4,000	(2,192)
Commodities	1,265	6,100	(4,835)
Miscellaneous	0	500	(500)
Total Police	6,193	41,600	(35,407)
Pool/Park			
Personal Services	23,255	27,000	(3,745)
Contractual Services	451	1,000	(549)
Commodities	5,608	13,000	(7,392)
Capital Outlay	2,569	21,000	(18,431)
Park-Contractual Services	1,343	0	1,343
Park-Commodities	2,264	0	2,264
Total Pool/Park	\$ 35,490	62,000	(26,510)

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

CITY OF QUINTER, KANSAS

General Fund

STATEMENT 3

Page 2

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008

	Actual	Budget	Variance Over (Under)
Street			
Personal Services	\$ 30,191	33,000	(2,809)
Contractual Services	21,390	10,000	11,390
Commodities	31,396	13,000	18,396
Capital Outlay	2,909	0	2,909
Lease Payments - Tractor	5,919	5,919	0
Total Street	91,805	61,919	29,886
Fire			
Personal Services	3,780	4,900	(1,120)
Contractual Services	3,486	500	2,986
Commodities	308	7,000	(6,692)
Capital Outlay	0	500	(500)
Fire Chief Account Expenses	4,198	0	4,198
Total Fire	11,772	12,900	(1,128)
Recreation			
Personal Services	20,256	18,000	2,256
Contractual Services	3,955	3,000	955
Commodities	7,729	10,000	(2,271)
Capital Outlay	16,070	20,000	(3,930)
Commodities - Concessions	4,585	0	4,585
Capital Outlay - Concessions	544	0	544
Total Recreation	53,139	51,000	2,139
Rural Fire			
Personal Services	0	2,000	(2,000)
Contractual Services	0	1,000	(1,000)
Commodities	0	1,000	(1,000)
Total Rural Fire	0	4,000	(4,000)
Utility Service Cost	29,547	35,000	(5,453)
Audit Cost	0	4,500	(4,500)
Noxious Weed	335	600	(265)
Transfer to Capital Improvement Fund	0	20,000	(20,000)
Transfer to Equipment Reserve Fund	5,000	5,000	0
Appropriation to Senior Citizens Center	4,831	4,800	31
Appropriation to Northwest Kansas Family Shelter	0	500	(500)
Total Expenditures	358,236	420,819	(62,583)
Cash Receipts over (under) Expenditures	78,762		
Unencumbered Cash, Beginning	95,280		
Unencumbered Cash, Ending	<u>\$ 174,042</u>		

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

CITY OF QUINTER, KANSAS

Special Revenue Funds

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008

STATEMENT 3

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	Actual	Budget	Variance Over (Under)
Library Fund			
Cash Receipts			
Taxes and Shared Revenue:			
Ad Valorem Property Tax	\$ 46,746	47,845	(1,099)
Delinquent Tax	422	0	422
Motor Vehicle Tax	7,945	5,629	2,316
Recreational Vehicle Tax	261	276	(15)
16/20M Vehicle Tax	56	38	18
Total Cash Receipts	<u>55,430</u>	<u>53,788</u>	<u>1,642</u>
Expenditures			
Appropriation to Jay Johnson Public Library	<u>55,500</u>	<u>55,500</u>	<u>0</u>
Cash Receipts over (under) Expenditures	(70)		
Unencumbered Cash, Beginning	<u>3,800</u>		
Unencumbered Cash, Ending	<u>\$ 3,730</u>		
Employee Benefits Fund			
Cash Receipts			
Taxes and Shared Revenue:			
Ad Valorem Property Tax	\$ 936	1,208	(272)
Delinquent Tax	212	0	212
Motor Vehicle Tax	7,052	5,120	1,932
Recreational Vehicle Tax	229	251	(22)
16/20M Vehicle Tax	47	34	13
Total Cash Receipts	<u>8,476</u>	<u>6,613</u>	<u>1,863</u>
Expenditures			
Social Security and Medicare	15,217	18,000	(2,783)
KPERS	9,368	9,000	368
State Unemployment	263	300	(37)
Workman's Compensation Insurance	<u>8,677</u>	<u>7,000</u>	<u>1,677</u>
Total Expenditures	<u>33,525</u>	<u>34,300</u>	<u>(775)</u>
Cash Receipts over (under) Expenditures	(25,049)		
Unencumbered Cash, Beginning	<u>31,642</u>		
Unencumbered Cash, Ending	<u>\$ 6,593</u>		

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

CITY OF QUINTER, KANSAS
Special Revenue Funds
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008

	Actual	Budget	Variance Over (Under)
Special Highway Fund			
Cash Receipts			
Motor Fuel Tax-State of Kansas	\$ 23,610	24,000	(390)
Expenditures			
Commodities	3,260	20,000	(16,740)
Contractual Services	24,711	22,654	2,057
Total Expenditures	27,971	42,654	(14,683)
Cash Receipts over (under) Expenditures	(4,361)		
Unencumbered Cash, Beginning	4,361		
Unencumbered Cash, Ending	\$ 0		

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

CITY OF QUINTER, KANSAS
Special Revenue Funds
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2008

	Actual
Equipment Reserve Fund	
Cash Receipts	
Transfer from General Fund	\$ <u>5,000</u>
Expenditures	<u>0</u>
Cash Receipts over (under) Expenditures	5,000
Unencumbered Cash, Beginning	<u>21,980</u>
Unencumbered Cash, Ending	<u><u>\$ 26,980</u></u>
Special Highway Improvement Fund	
Cash Receipts	\$ <u>0</u>
Expenditures	
Commodities	<u>4,357</u>
Cash Receipts over (under) Expenditures	(4,357)
Unencumbered Cash, Beginning	<u>4,357</u>
Unencumbered Cash, Ending	<u><u>\$ 0</u></u>
Capital Improvement Fund	
Cash Receipts	\$ <u>0</u>
Expenditures	<u>0</u>
Cash Receipts over (under) Expenditures	0
Unencumbered Cash, Beginning	<u>20,650</u>
Unencumbered Cash, Ending	<u><u>\$ 20,650</u></u>
City Park Donations Fund	
Cash Receipts	\$ <u>0</u>
Expenditures	<u>0</u>
Cash Receipts over (under) Expenditures	0
Unencumbered Cash Beginning	<u>2,637</u>
Unencumbered Cash Ending	<u><u>\$ 2,637</u></u>

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

CITY OF QUINTER, KANSAS

Enterprise Funds

STATEMENT 3

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Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008

	Actual	Budget	Variance Over (Under)
Water Utility - Revenue Fund			
Cash Receipts			
Water Sales	\$ 111,350	124,000	(12,650)
Deposits and Taps	3,189	1,000	2,189
Reconnect Fees	270	0	270
Late Fees	60	0	60
Federal Aid - FEMA	2,124	0	2,124
Miscellaneous	626	2,000	(1,374)
Total Cash Receipts	117,619	127,000	(9,381)
Expenditures			
Transfer to General Fund	0	10,000	(10,000)
Transfer to Water Utility - Operation & Maintenance Fund	122,022	137,000	(14,978)
Total Expenditures	122,022	147,000	(24,978)
Cash Receipts over (under) Expenditures	(4,403)		
Unencumbered Cash, Beginning	49,307		
Unencumbered Cash, Ending	\$ 44,904		
Water Utility - Principal & Interest Fund			
Cash Receipts			
Water Sales	\$ 37,849	38,000	(151)
Expenditures			
Principal - Revenue Bonds	30,000	30,000	0
Interest - Revenue Bonds	10,838	10,837	1
Fees	1	10	(9)
Cash Reserve	0	5,000	(5,000)
Total Expenditures	40,839	45,847	(5,008)
Cash Receipts over (under) Expenditures	(2,990)		
Unencumbered Cash, Beginning	41,916		
Unencumbered Cash, Ending	\$ 38,926		

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

CITY OF QUINTER, KANSAS

Enterprise Funds

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008

	Actual	Budget	Variance Over (Under)
Water Utility - Operations & Maintenance Fund			
Cash Receipts			
Transfer from Water Utility - Revenue Fund	\$ 122,022	137,000	(14,978)
Expenditures			
Personal Services	64,740	66,000	(1,260)
Contractual Services	21,782	20,000	1,782
Commodities	11,055	26,000	(14,945)
Capital Outlay	16,706	15,000	1,706
Miscellaneous	2,638	4,000	(1,362)
Travel	1,241	1,000	241
State Water Plan	3,860	5,000	(1,140)
Total Expenditures	122,022	137,000	(14,978)
Cash Receipts over (under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Unencumbered Cash, Ending	\$ 0		
Water Utility - Bond Reserve Fund			
Cash Receipts	\$ 0		
Expenditures	0		
Cash Receipts over (under) Expenditures	0		
Unencumbered Cash, Beginning	10,400		
Unencumbered Cash, Ending	\$ 10,400		

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

CITY OF QUINTER, KANSAS

Enterprise Funds

STATEMENT 3

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Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008

	Actual	Budget	Variance Over (Under)
Sewer Utility Fund			
Cash Receipts			
User Charges	\$ 23,324	23,000	324
Sewer Permits	0	100	(100)
Miscellaneous	0	100	(100)
Total Cash Receipts	<u>23,324</u>	<u>23,200</u>	<u>124</u>
Expenditures			
Personal Services	0	5,000	(5,000)
Contractual Services	8,296	7,000	1,296
Commodities	5,424	8,000	(2,576)
Capital Outlay	8,163	8,000	163
Transfer to Sewer Utility - Prin. & Int.	0	3,000	(3,000)
Total Expenditures	<u>21,883</u>	<u>31,000</u>	<u>(9,117)</u>
Cash Receipts over (under) Expenditures	1,441		
Unencumbered Cash, Beginning	<u>34,423</u>		
Unencumbered Cash, Ending	<u>\$ 35,864</u>		
Sewer Utility - Principal & Interest Fund			
Cash Receipts			
User Charges	\$ 59,949	55,000	4,949
Transfer from Sewer Utility Fund	0	3,000	(3,000)
Total Cash Receipts	<u>59,949</u>	<u>58,000</u>	<u>1,949</u>
Expenditures			
Principal - KDHE	18,963	55,905	(36,942)
Interest - KDHE	12,408	20,254	(7,846)
Fees	1,020	2,000	(980)
Cash Reserve	0	19,685	(19,685)
Total Expenditures	<u>32,391</u>	<u>97,844</u>	<u>(65,453)</u>
Cash Receipts over (under) Expenditures	27,558		
Unencumbered Cash, Beginning	<u>45,003</u>		
Unencumbered Cash, Ending	<u>\$ 72,561</u>		

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

CITY OF QUINTER, KANSAS

Enterprise Funds

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008

	<u>Actual</u>
Sewer Improvement Fund	
Cash Receipts	
KDHE Loan Proceeds	\$ <u>492,617</u>
Expenditures	
Sewer Improvement Expenditures	<u>492,617</u>
Cash Receipts over (under) Expenditures	0
Unencumbered Cash, Beginning	<u>0</u>
Unencumbered Cash, Ending	<u><u>\$ 0</u></u>

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

CITY OF QUINTER, KANSAS
Private Purpose Trust Funds
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2008

	Actual
Revolving Loan I Fund	
Cash Receipts	
Principal and Interest Payments Received	\$ <u>6,474</u>
Expenditures	<u>0</u>
Cash Receipts over (under) Expenditures	6,474
Unencumbered Cash, Beginning	<u>13,494</u>
Unencumbered Cash, Ending	\$ <u><u>19,968</u></u>

Revolving Loan II Fund	
Cash Receipts	
Principal and Interest Payments Received	\$ <u>12,531</u>
Expenditures	
Contractual Services	<u>218</u>
Cash Receipts over (under) Expenditures	12,313
Unencumbered Cash, Beginning	<u>19,106</u>
Unencumbered Cash, Ending	\$ <u><u>31,419</u></u>

CDBG - Swift Bullet Fund	
Cash Receipts	
Principal & Interest Payments Received	\$ <u>0</u>
Expenditures	
Payments-KDOCH	<u>536</u>
Cash Receipts over (under) Expenditures	(536)
Unencumbered Cash, Beginning	<u>536</u>
Unencumbered Cash, Ending	\$ <u><u>0</u></u>

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

CITY OF QUINTER, KANSAS
Notes to the Financial Statements
December 31, 2008

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Quinter, Kansas, operates as a third class city in accordance with the laws of the State of Kansas. The City operates under a mayor-council form of government and provides the following services; public safety (police and fire protection), highways and streets, water, sewer, sanitation, culture and recreation, planning and zoning, public improvements and general administrative services.

Accounting principles generally accepted in the United States of America require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing body.

Based on the application of criteria set forth by the Governmental Accounting Standards Board, management has determined that the **Jay Johnson Public Library** and the **City of Quinter Housing Authority** are component units of the City.

Financial information for the **Jay Johnson Public Library** and the **City of Quinter Housing Authority** has not been reported in the City's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with accounting principles generally accepted in the United States of America. The unaudited financial statements for **Jay Johnson Public Library** can be obtained from Sharon DuBois, Board Treasurer, at 411 Main Street, Quinter, KS, and the **Quinter Housing Authority** from Denise Wittman, Treasurer, at 914 S. Main, Quinter, KS.

Fund Accounting

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulation, restrictions or limitations.

The following types of funds comprise the financial activities of the City of Quinter for the year ended 2008:

Governmental Type 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 be expended for specified purposes.

Proprietary Type 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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Type Funds:

Private Purpose Trust Funds-used to report trust agreements where both the principal and interest is used to benefit individuals, private organizations and other governmental units.

Reimbursements

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures during the year of purchase.

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 evidence by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving the cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City of Quinter, Kansas, 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, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as 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.

2. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds.

The statutes provides for the following sequence and timetable in adoption of budgets:

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 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 the year ended December 31, 2008.

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. Expenditures are commitments by the municipality for future payments and are usually 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	Special Highway Improvement Fund
Capital Improvement Fund	City Park Donations Fund
Water Utility – Bond Reserve Fund	Sewer Improvement Fund

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

3. Property Taxes

Property taxes are levied November 1st of the calendar year. A lien is placed on the property when the taxes are levied. The taxes are due ½ on December 20th and ½ the following May 10th. Any taxes unpaid at the due dates are considered delinquent.

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year: such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operation of the City and therefore are not susceptible to accrual. It is not practical to apportion delinquent taxes held by the County Treasurer at the end of the audit period, and the amounts are not material to the financial statements taken as a whole.

4. Defined Benefit Pension Plan

Plan description. The City of Quinter, Kansas, participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefits 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 Avenue, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provision 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 2008 was 5.93%. The City of Quinter, Kansas, employer contributions to KPERS for the years ending December 31, 2008, 2007, and 2006, were \$9,368, \$9,136, and \$7,108, respectively, equal to the required contributions for each year.

5. Revolving Loan I Fund

The City of Quinter, Kansas, obtained funds from a Small Cities Community Development-Economic Development Grant in 1986 and subsequently loaned the funds to Flex-King, Inc. Per the grant agreement, the recapture of the grant money from Flex-King, Inc. could be returned to the State or retained locally to create a Revolving Loan Fund. The latter option was chosen.

The City of Quinter Revolving Loan Fund I was established to stimulate private investment and create or retain permanent jobs for low and moderate income citizens of the City. The monies from this fund provide fixed asset financing for new and expanding businesses. Potential businesses must demonstrate that their project is economically viable and meet other eligibility requirements.

6. Revolving Loan II Fund

The City obtained funds from a Rural Business Enterprise Grant in 1999 to establish this fund. The purpose of this fund is to stimulate private investment and create or retain permanent jobs in Quinter. To be eligible for the monies, a potential business must demonstrate economic viability, be located within the city limits, and meet leverage requirements. The City is required to comply with certain relending criteria.

7. CDBG- Swift Bullet Fund

In 2000, the City received a CDBG Economic Development Grant for the purpose of providing financial assistance to the Swift Bullet Company, Quinter, Kansas. The project involved a loan from the City to Swift Bullet Company for the purchase of machinery and equipment and working capital. Swift Bullet remits the loan payments to the City, who then remits the monies to the Kansas Department of Commerce & Housing. If the company defaults on the loan, the City has the responsibility to undertake collections efforts to recover the unpaid balance. As of December 31, 2008, the loan has been paid in full.

8. Deposits and Investments

K.S.A. 9-1401 establishes the depositories that 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 the 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.

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 the 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%. All deposits were legally secured at December 31, 2008.

At December 31, 2008, the City's carrying amount of deposits was \$508,354 and the bank balance was \$517,319. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 is covered by federal depository insurance and the balance of \$267,319 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

9. Compensated Absences

Vacation leave is a liability of the employer to the employee. Vacation leave accumulates for one year only and may be claimed as part of the pay for each unit of twelve months of continuous service.

Full-time employees are entitled to vacation leave as follows:

Year 1	-	5 days
Year 2 to 10	-	10 days per year
Year 11 to 19	-	15 days per year
Year 20 and above	-	20 days per year

Accrued vacation leave is paid to the employee upon termination.

Sick leave is an accumulative liability of the employer to the employee. Full-time employees earn one full day per month of sick leave. There is no maximum accumulation for sick leave. Sick leave accumulates monthly and may be claimed with pay only in the case of an illness which renders the employee incapable of performing their duties, doctors appointments, or care of a close relative. Any accumulated days over 120 will be paid at fifty percent.

Compensatory time is an accumulative liability of the employer to the employee. Compensatory time is earned for overtime hours worked and is accrued at one and one-half times the overtime hours worked. Compensatory time may be carried over from month to month and year to year, but will not exceed 20 hours from any given month or year. The City Treasurer will pay all hours over the allowed 20 hours at the end of each month, subject to review by the City Administrator/City Clerk.

See Note 17 for additional information.

10. Special Items-Industrial Revenue Bonds

In 2000, the City authorized the issuance of Industrial Revenue Bonds, Series 2000 in the amount of \$275,000 for the purposes of acquiring, renovating and improving a commercial facility to lease such facility to Formation Plastics, Inc. The lease agreement provides the lease payment to be paid by Formation Plastics, Inc directly to the fiscal agent, First National Bank, Goodland, Kansas. The fiscal agent is responsible for collecting the lease payments and paying the interest and bonds to the bond holders.

On November 22, 2005, the City authorized the issuance of Industrial Revenue Bonds, Series 2005 in the aggregate principal amount not to exceed \$525,000 for the purpose of acquiring, renovating and improving a commercial facility to lease such facility to T & T Chemical, Inc. The lease agreement provides the lease payment to be paid by T & T Chemical, Inc. directly to the fiscal agent, State Bank, Hoxie, Kansas. The fiscal agent is responsible for collecting the lease payments and paying the interest and bonds to the bond holders.

11. Interfund Transfers

Operating transfers were as follows:

From	To	Amount	Statutory Authority
General Fund	Equipment Reserve Fund	\$ 5,000	12-1,117
Water Utility – Revenue Fund	Water Utility – Operations & Maintenance Fund	122,022	12-825d

12. Risk Management

The City of Quinter, 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 for which the City purchased commercial insurance.

During the year ended December 31, 2008, the City reduced insurance coverage from levels in place during the prior year. The decrease in insurance was related to the removal of obsolete equipment, removal of buildings no longer owned by the City, and the reduction in valuation of equipment and buildings. No settlements have exceeded coverage levels in place during the past three fiscal years.

13. Compliance

K.S.A. 75-4302a requires an individual appointed to a local office to file a substantial interest filing within 15 days after the appointment. A statement of substantial interest was not obtained within the prescribed timeline for a member of the council appointed to fill a vacancy. This appears to be a violation of this statute.

14. Capital Projects

Capital projects authorizations with approved change orders compared with expenditures from inception are as follows:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended to 12-31-08</u>
Wastewater Treatment Project	\$ 800,007	\$ 549,737

15. Related Party Transactions

The City purchased goods and services totaling \$13,485 from Quinter Appliance, Inc. for the year ended December 31, 2008. The company is owned and operated by the mayor.

16. Revenue Bond Indenture Requirements

Ordinance Number 457-- Summary of significant requirements:

		<u>Compliance</u>	
		<u>Yes</u>	<u>No</u>
The City shall:			
a.	Create proper principal and interest, bond reserve, and operations and maintenance accounts.	X	
b.	Maintain required balance in the following:		
	Water Utility - Bond Reserve	X	
	Water Utility - Principal & Interest	X	
	Water Utility - Operations & Maintenance	X	
c.	Allow public inspection of annual CPA audit.	X	
d.	Mail operating budget to original purchaser.	X	
e.	Adjust rates to pay next year's principal and interest and operation expenses.	X	
f.	Maintain books, records, and accounts in which complete and correct entries are made of all dealings and transactions of or in relation to the system. Such accounts show the amount of revenues from the system, the application of such revenues, and all financial transactions in connection therewith. These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas.	X	
g.	Obtain engineering inspection of water system every 5 years.	X	
h.	Report the number of customers at year end		
	12-31-07 – 542	X	
	12-31-08 – 542	X	
i.	Maintain adequate property, liability and workman's compensation insurance coverage.	X	

17. Long-term Debt

Changes in long-term liabilities for the City for the year ended December 31, 2008, 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
Revenue Bonds: Water Improvement	4.4 to 4.9	2003	350,000	2014	\$ 240,000	-	30,000		210,000	10,837
KDHE Loans: Sewer Improvement	3.39	2001	535,140	2022	348,426	-	18,963		329,463	10,793
Wastewater Treatment Project	2.77	2007	800,007	2028	800,007 *	-	-		800,007	1,615
Capital Leases Payable: JX65 Case IH Tractor	4.97	2005	27,000	2010	11,119	-	5,359		5,760	560
Generac Generator	5.50	2007	48,150	2011	37,446	-	8,609		28,837	2,094
Generac Generator	5.50	2007	27,000	2011	20,998	-	4,828		16,170	1,174
Total Contractual Indebtedness					1,457,996	-	67,759		1,390,237	27,073
Compensated Absences	N/A	N/A	N/A	N/A	59,347			(25,640)	33,707	
Total Long-Term Debt					\$ 1,517,343	-	67,759	(25,640)	1,423,944	27,073

* \$549,737 was issued and received as of December 31, 2008.

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

<u>PRINCIPAL</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014-2018</u>	<u>2019-2023</u>	<u>2024-2028</u>	<u>Total</u>
Revenue Bonds	\$ 30,000	30,000	35,000	35,000	40,000	40,000	-	-	210,000
KDHE Loans	50,030	51,549	53,113	54,726	56,390	308,736	311,976	242,950	1,129,470
Capital Leases Payable	19,867	15,142	15,758	-	-	-	-	-	50,767
TOTAL PRINCIPAL	99,897	96,691	103,871	89,726	96,390	348,736	311,976	242,950	1,390,237
<u>INTEREST</u>									
Revenue Bonds	9,442	8,047	6,493	4,777	2,940	980	-	-	32,679
KDHE Loans	30,163	28,770	27,334	25,854	24,329	97,856	51,988	17,184	303,478
Capital Leases Payable	2,757	1,695	947	-	-	-	-	-	5,399
TOTAL INTEREST	42,362	38,512	34,774	30,631	27,269	98,836	51,988	17,184	341,556
TOTAL PRINCIPAL & INTEREST	\$ 142,259	135,203	138,645	120,357	123,659	447,572	363,964	260,134	1,731,793