

CITY OF FREDONIA, KANSAS
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
AND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2008



Dennis J. Edwards, CPA, P.A.

CITY OF FREDONIA, KANSAS
Special Financial Statements
For the Year Ended December 31, 2008
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Dennis J. Edwards, CPA, P.A.

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Fredonia, Kansas

I have audited the accompanying financial statements of the City of Fredonia, Kansas, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the City of Fredonia, Kansas, management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the City's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", I have also issued a report dated September 28, 2009, on my consideration of the City of Fredonia, Kansas's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of my audit.

In my opinion, because of the City's policy to prepare its financial statements on the basis of accounting 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 Fredonia, Kansas, as of December 31, 2008, or the results of its operations, or cash flows of its proprietary fund types for the year then ended.

However, in my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the City of Fredonia, Kansas as of December 31, 2008, and its cash receipts, cash disbursements, and expenditures compared to budget, for the year ended on the basis of accounting described in Note 1.

My audit was performed for the purpose of forming an opinion on the basic financial statements of the he City of Fredonia taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dennis G Edwards CPA PA

Holton, Kansas
September 28, 2009

CITY OF FREDONIA, KANSAS

Statement 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2008

Funds	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Government Type Funds							
General Fund	\$1,838,617.71	\$ -	\$ 4,743,960.29	\$ 6,147,697.00	\$ 434,881.00	\$ 51,369.42	\$ 486,250.42
Special Revenue							
Industrial Development Fund	30,016.01	-	59,332.62	84,918.83	4,429.80	172.00	4,601.80
Library Fund	1,694.12	-	30,435.32	32,129.44	-	-	-
Special Parks and Recreation Fund	6,611.15	-	3,129.40	5,587.99	4,152.56	-	4,152.56
Special Highway Fund	42,982.91	-	70,403.40	13,394.91	99,991.40	-	99,991.40
1/2 Cent Sales Tax Fund	186,912.88	-	214,013.01	162,430.89	240,495.00	-	240,495.00
Tourism Fund	5,561.71	-	6,102.27	11,800.12	(136.14)	-	(136.14)
Debt Service							
Bond and Interest Fund	25,487.44	-	993,026.69	463,060.48	555,453.65	-	555,453.65
Agency Type Funds							
Payroll Clearing Fund	2,017.85	-	10,933.60	10,933.60	2,017.85	-	2,017.85
Sales Tax Fund	77,528.20	-	546,832.82	611,253.12	13,107.90	-	13,107.90
CDBG Fund	18,634.00	-	149,111.00	167,745.00	-	-	-
Capital Improvement Reserve Fund	142,129.05	-	30,731.12	30,731.12	111,397.93	-	111,397.93
Neighborhood Revitalization Fund	100.00	-	-	-	100.00	-	100.00
Fire Reserve Fund	139,081.66	-	3,182.19	15,341.04	126,922.81	-	126,922.81
Proprietary Type Funds							
Enterprise							
Water Utility Fund	110,087.44	-	861,271.29	828,425.24	142,933.49	25,704.90	168,638.39
Electric Utility Fund	400,134.43	-	3,173,812.94	3,102,516.45	471,430.92	118,006.62	589,437.54
Sewer Utility Fund	105,605.17	-	186,258.90	190,019.19	101,844.88	12,337.48	114,182.36
Solid Waste Fund	92,275.28	-	234,686.56	207,856.68	119,105.16	5,278.41	124,383.57
Water Bond Reserve Fund	127,500.00	-	-	-	127,500.00	-	127,500.00
Water Maintenance Reserve Fund	25,000.00	-	-	-	25,000.00	-	25,000.00
Water Security Deposit Fund	34,949.00	-	3,375.00	3,700.00	34,624.00	-	34,624.00
Water Reserve Fund	50,000.00	-	-	-	50,000.00	-	50,000.00
Electric Security Deposit Fund	98,610.00	-	10,125.00	10,979.29	97,755.71	-	97,755.71
Electric Capital Reserve Fund	167,663.97	-	-	-	167,663.97	-	167,663.97
Sewer Reserve Fund	75,000.00	-	10,000.00	-	85,000.00	-	85,000.00
TOTAL - Primary Government	3,806,199.98	-	11,309,992.30	12,100,520.39	3,015,671.89	212,868.83	3,228,540.72
Component Units							
Housing Authority of the City of Fredonia	(105,388.26)	-	181,784.92	209,938.49	(133,541.83)	206,206.81	72,664.98
Fredonia Public Library	417,062.87	-	293,505.59	691,475.41	19,093.05	698.68	19,791.73
Total Reporting Entity	\$4,117,874.59	\$ -	\$ 11,785,282.81	\$ 13,001,934.29	\$2,901,223.11	\$ 419,774.32	\$3,320,997.43

Composition of Cash
The State Bank of Kansas
Checking Accounts
Savings and Money Market Accounts
Certificates of Deposit
First National Bank in Fredonia
Checking Accounts
Savings and Money Market Accounts
Certificates of Deposit
Cash on Hand

\$ 496,626.34
2,530,678.30
93,650.00
33,810.67
58,251.56
107,525.56
455.00
\$3,320,997.43

TOTAL - Reporting Entity

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF FREDONIA, KANSAS

Statement 2

Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2008

Fund	Certified Budget	Adjustment for Qualifying Budget Credit	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over Under
General Fund	\$6,080,631.00	\$ 24,636.65	\$6,105,267.65	\$6,147,697.00	\$ (42,429.35)
Special Revenue Funds:					
Industrial Development Fund	84,919.00	-	84,919.00	84,918.83	0.17
Library Fund	35,000.00	-	35,000.00	32,129.44	2,870.56
Special Parks and Recreation Fund	5,588.00	-	5,588.00	5,587.99	0.01
Special Highway Fund	110,000.00	-	110,000.00	13,394.91	96,605.09
1/2 Cent Sales Tax Fund	231,000.00	-	231,000.00	162,430.89	68,569.11
Tourism Fund	11,801.00	-	11,801.00	11,800.12	0.88
Debt Service Funds:					
Bond and Interest Fund	571,553.00	-	571,553.00	463,060.48	108,492.52
Proprietary Type Funds:					
Enterprise					
Water Utility Fund	990,000.00	-	990,000.00	828,425.24	161,574.76
Electric Utility Fund	3,155,578.00	-	3,155,578.00	3,102,516.45	53,061.55
Sewer Utility Fund	256,000.00	-	256,000.00	190,019.19	65,980.81
Solid Waste Fund	286,237.00	-	286,237.00	207,856.68	78,380.32

GENERAL FUND

Statement of Cash Receipts and Expenditures -
Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year Actual	Current Year		Variance- Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Taxes				
Ad Valorem Property	\$ 379,613.96	\$ 393,974.60	\$ 393,974.00	\$ 0.60
Delinquent Taxes	14,161.41	11,026.15	31,865.00	(20,838.85)
Motor Vehicle	79,227.31	62,382.53	41,543.00	20,839.53
Recreation Vehicle Tax	1,181.83	874.18	874.00	0.18
Franchise	87,470.84	101,187.80	95,960.00	5,227.80
Intergovernmental				
Local Alcohol Tax	2,984.54	3,918.84	2,279.00	1,639.84
Licenses and Permits	5,432.00	6,336.00	6,340.00	(4.00)
Charges for Services	29,110.00	20,903.00	20,900.00	3.00
Fines, Forfeitures and Penalties	63,671.96	57,196.93	56,223.00	973.93
Use of Money and Property				
Interest	95,048.00	62,054.63	53,089.00	8,965.63
Oil Revenue	313.45	395.94	400.00	(4.06)
Airport	6,378.20	8,834.87	8,900.00	(65.13)
Operating Transfers From Other Funds				
Electric	150,000.00	320,000.00	320,000.00	-
Water	300,000.00	20,000.00	20,000.00	-
Sewer	100,000.00	10,000.00	10,000.00	-
1/2 Cent Sales Tax	-	64,600.00	151,810.00	(87,210.00)
Other Receipts				
Reimbursed Expense	19,698.27	24,636.65	25,000.00	(363.35)
Miscellaneous	9,068.73	2,240.00	482,515.00	(480,275.00)
Short-term note	3,986,222.00	-	-	-
Disaster Reimbursement	1,152,851.86	3,573,398.17	5,063,515.00	(1,490,116.83)
TOTAL RECEIPTS	\$ 6,482,434.36	\$ 4,743,960.29	\$ 6,785,187.00	\$ (2,041,226.71)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

GENERAL FUND
(Continued)

Statement of Cash Receipts and Expenditures -
Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year	Current Year		Variance- Over (Under)
		Actual	Budget	
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
General Government				
Administration				
Personal Services	\$ 43,763.96	\$ 44,534.83	\$ 44,535.00	\$ (0.17)
Contractual Services	60,850.53	55,105.32	55,105.00	0.32
Commodities	17,603.41	12,356.10	12,077.00	279.10
Capital Outlay	4,368.00	268,802.43	268,805.00	(2.57)
Public Safety				
Police				
Personal Services	313,904.34	305,553.10	305,560.00	(6.90)
Contractual Services	24,441.32	24,714.86	24,684.00	30.86
Commodities	35,036.55	37,765.77	37,770.00	(4.23)
Capital Outlay	31,170.71	33,760.11	33,780.00	(19.89)
Fire				
Personal Services	24,556.13	26,385.36	26,385.00	0.36
Contractual Services	17,718.83	17,982.54	17,982.00	0.54
Commodities	7,444.04	10,574.18	10,575.00	(0.82)
Capital Outlay	52,588.16	24,603.72	24,604.00	(0.28)
Code Enforcement				
Personal Services	14,108.61	17,960.22	17,960.00	0.22
Contractual Services	7,268.36	2,766.16	2,767.00	(0.84)
Commodities	2,211.63	1,636.84	1,637.00	(0.16)
Capital Outlay	-	2,129.10	2,129.00	0.10
Street Department				
Personal Services	197,638.57	191,303.84	191,304.00	(0.16)
Contractual Services	21,569.87	20,495.22	20,495.00	0.22
Commodities	64,014.74	52,093.99	52,094.00	(0.01)
Capital Outlay	65,177.45	122,120.58	122,121.00	(0.42)
Park Department				
Personal Services	80,290.17	54,256.26	54,256.00	0.26
Contractual Services	2,945.58	4,840.89	4,841.00	(0.11)
Commodities	21,539.14	17,243.35	17,244.00	(0.65)
Capital Outlay	-	5,741.57	5,742.00	(0.43)
Cemetery				
Personal Services	58,425.64	54,276.20	54,276.00	0.20
Contractual Services	3,470.24	4,459.05	4,459.00	0.05
Commodities	8,102.22	9,514.62	9,515.00	(0.38)
Capital Outlay	-	-	-	-
Municipal Judge	36,298.99	45,599.51	45,600.00	(0.49)
Airport	3,780.66	10,123.35	8,223.00	1,900.35
Other Expenses	38,584.61	65,213.77	15,321.00	49,892.77
Short-term loan fees	-	-	-	-
Disaster Expenses	3,485,203.74	4,603,784.16	4,588,785.00	14,999.16
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	4,744,076.20	6,147,697.00	\$6,080,631.00	\$ 67,066.00
Receipts Over (Under) Expenditures	1,738,358.16	(1,403,736.71)		
Unencumbered Cash, Beginning	100,259.55	1,838,617.71		
Unencumbered Cash, Ending	<u>\$ 1,838,617.71</u>	<u>\$ 434,881.00</u>		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

INDUSTRIAL DEVELOPMENT FUND

Statement of Cash Receipts and Expenditures-
Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year	Current Year		Variance- Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Taxes				
Ad Valorem Property	\$ 10,733.07	\$ 31.02	\$ 31.00	\$ 0.02
Delinquent	299.31	214.44	214.00	0.44
Motor Vehicle	1,575.96	1,767.22	1,767.00	0.22
Recreational Vehicle Tax	23.53	24.69	24.00	0.69
Operating Transfers From Other Funds				
Water Utility	-	35,000.00	35,000.00	-
Sewer Utility	-	15,000.00	15,000.00	-
Use of Money and Property				
Interest	590.51	126.54	126.00	0.54
Miscellaneous	2,136.00	7,168.71	7,168.00	0.71
TOTAL RECEIPTS	15,358.38	59,332.62	\$ 59,330.00	\$ 2.62
EXPENDITURES AND TRANSFERS				
SUBJECT TO BUDGET				
Contractual Services	17,324.72	55,474.54	\$ 55,474.00	\$ 0.54
Commodities	79.48	3,225.43	3,226.00	(0.57)
Capital Outlay	36,715.42	26,218.86	26,219.00	(0.14)
TOTAL EXPENDITURES AND				
TRANSFERS SUBJECT TO BUDGET	54,119.62	84,918.83	\$ 84,919.00	\$ (0.17)
Receipts Over (Under) Expenditures	(38,761.24)	(25,586.21)		
Unencumbered Cash, Beginning	68,777.25	30,016.01		
Unencumbered Cash, Ending	<u>\$ 30,016.01</u>	<u>\$ 4,429.80</u>		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF FREDONIA, KANSAS

Statement 3-3

LIBRARY FUND

Statement of Cash Receipts and Expenditures-
Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year	Current Year		Variance- Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Taxes				
Ad Valorem Property	\$ 26,625.17	\$ 25,202.96	\$ 27,327.00	\$ (2,124.04)
Delinquent	1,095.43	794.27	-	794.27
Motor Vehicle	6,155.51	4,376.71	5,603.00	(1,226.29)
Recreation Vehicle Tax	91.80	61.38	87.00	(25.62)
TOTAL RECEIPTS	<u>33,967.91</u>	<u>30,435.32</u>	<u>\$ 33,017.00</u>	<u>\$ (2,581.68)</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Culture and Recreation				
Appropriation to Fredonia Public Library	33,644.90	32,129.44	\$ 33,500.00	\$ (1,370.56)
Neighborhood Revitalization	-	-	1,500.00	(1,500.00)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>33,644.90</u>	<u>32,129.44</u>	<u>\$ 35,000.00</u>	<u>\$ (2,870.56)</u>
Receipts Over (Under) Expenditures	323.01	(1,694.12)		
Unencumbered Cash, Beginning	1,371.11	1,694.12		
Unencumbered Cash, Ending	<u>\$ 1,694.12</u>	<u>\$ -</u>		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

SPECIAL PARKS AND RECREATION FUNDStatement of Cash Receipts and Expenditures-
Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year	Current Year		Variance- Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Taxes				
Local Alcohol Tax	\$ 2,961.23	\$ 2,279.06	\$ 2,279.00	\$ 0.06
Miscellaneous	145.00	850.34	850.00	0.34
TOTAL RECEIPTS	<u>3,106.23</u>	<u>3,129.40</u>	<u>\$ 3,129.00</u>	<u>\$ 0.40</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Commodities	-	987.99	\$ 988.00	\$ (0.01)
Capital Outlay	870.00	4,600.00	4,600.00	-
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>870.00</u>	<u>5,587.99</u>	<u>\$ 5,588.00</u>	<u>\$ (0.01)</u>
Receipts Over (Under) Expenditures	2,236.23	(2,458.59)		
Unencumbered Cash, Beginning	<u>4,374.92</u>	<u>6,611.15</u>		
Unencumbered Cash, Ending	<u>\$ 6,611.15</u>	<u>\$ 4,152.56</u>		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF FREDONIA, KANSAS

Statement 3-5

SPECIAL HIGHWAY FUND

Statement of Cash Receipts and Expenditures-
Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year	Current Year		Variance- Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Intergovernmental				
State Highway Aid	\$ 72,359.86	\$ 70,403.40	\$ 74,270.00	\$ (3,866.60)
TOTAL RECEIPTS	<u>72,359.86</u>	<u>70,403.40</u>	<u>\$ 74,270.00</u>	<u>\$ (3,866.60)</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Contractual Services	-	-	\$ 1,000.00	\$ (1,000.00)
Commodities	9,508.70	13,394.91	12,000.00	1,394.91
Capital Outlay	24,052.76	-	97,000.00	(97,000.00)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>33,561.46</u>	<u>13,394.91</u>	<u>\$ 110,000.00</u>	<u>\$ (96,605.09)</u>
Receipts Over (Under) Expenditures	38,798.40	57,008.49		
Unencumbered Cash, Beginning	<u>4,184.51</u>	<u>42,982.91</u>		
Unencumbered Cash, Ending	<u>\$ 42,982.91</u>	<u>\$ 99,991.40</u>		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF FREDONIA, KANSAS

1/2 CENT SALES TAX FUND

Statement of Cash Receipts and Expenditures-
Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year	Current Year		Variance- Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Taxes				
Sales Tax	\$ 187,088.56	\$ 214,013.01	\$ 155,000.00	\$ 59,013.01
TOTAL RECEIPTS	<u>187,088.56</u>	<u>214,013.01</u>	<u>\$ 155,000.00</u>	<u>\$ 59,013.01</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Capital Outlay	89,995.13	73,659.11	\$ 151,000.00	\$ (77,340.89)
Operating Transfers to Other Funds				
General Fund	-	64,600.00		
Bond and Interest Fund	-	24,171.78	80,000.00	(55,828.22)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>89,995.13</u>	<u>162,430.89</u>	<u>\$ 231,000.00</u>	<u>\$ (68,569.11)</u>
Receipts Over (Under) Expenditures	97,093.43	51,582.12		
Unencumbered Cash, Beginning	<u>91,819.45</u>	<u>188,912.88</u>		
Unencumbered Cash, Ending	<u>\$ 188,912.88</u>	<u>\$ 240,495.00</u>		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF FREDONIA, KANSAS

TOURISM FUND

Statement of Cash Receipts and Expenditures-
Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year	Current Year		Variance- Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Taxes				
Convention and Tourism Tax	\$ 5,665.08	\$ 5,329.67	\$ 5,500.00	\$ (170.33)
Other				
Miscellaneous	-	772.60	770.00	2.60
TOTAL RECEIPTS	<u>5,665.08</u>	<u>6,102.27</u>	<u>6,270.00</u>	<u>\$ (167.73)</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Contractual Services	1,995.63	8,751.25	\$ 8,752.00	\$ (0.75)
Commodities	<u>729.99</u>	<u>3,048.87</u>	<u>3,049.00</u>	<u>(0.13)</u>
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>2,725.62</u>	<u>11,800.12</u>	<u>\$ 11,801.00</u>	<u>\$ (0.88)</u>
Receipts Over (Under) Expenditures	2,939.46	(5,697.85)		
Unencumbered Cash, Beginning	<u>2,622.25</u>	<u>5,561.71</u>		
Unencumbered Cash, Ending	<u>\$ 5,561.71</u>	<u>\$ (136.14)</u>		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOND AND INTEREST FUNDStatement of Cash Receipts and Expenditures-
Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year	Current Year		Variance- Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Taxes				
Ad Valorem Property	\$ 19,215.75	\$ 48,638.69	\$ 52,931.00	\$ (4,292.31)
Delinquent Taxes	698.38	652.43	-	652.43
Motor Vehicle	2,900.79	3,156.49	4,044.00	(887.51)
Recreation Vehicle Tax	43.25	44.10	63.00	(18.90)
Other				
Reimbursed Expense	42,267.50	38,340.00	38,340.00	-
Temporary Note Proceeds	-	505,000.00	80,000.00	425,000.00
Operating Transfers From Other Funds				
Electric	255,393.75	255,377.50	256,756.00	(1,378.50)
1/2 Cent Sales Tax	-	24,171.88	-	24,171.88
Use of Money and Property				
Madison Square Rental Income	117,645.60	117,645.60	120,000.00	(2,354.40)
TOTAL RECEIPTS	<u>438,165.02</u>	<u>993,026.69</u>	<u>\$ 552,134.00</u>	<u>\$ 440,892.69</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Debt Service				
Bond Principal	235,000.00	240,000.00	\$ 240,000.00	\$ -
Interest	88,538.75	80,942.50	80,943.00	(0.50)
Madison Square	117,645.60	117,645.60	120,000.00	(2,354.40)
Commissions and Other	2.50	300.50	10.00	290.50
Temporary Note Payment	625.00	24,171.88	80,000.00	(55,828.12)
Neighborhood Revitalization	-	-	600.00	(600.00)
Cash Reserve	-	-	50,000.00	(50,000.00)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>441,811.85</u>	<u>463,060.48</u>	<u>\$ 571,553.00</u>	<u>\$ (108,492.52)</u>
Receipts Over (Under) Expenditures	(3,646.83)	529,966.21		
Unencumbered Cash, Beginning	<u>29,134.27</u>	<u>25,487.44</u>		
Unencumbered Cash, Ending	<u>\$ 25,487.44</u>	<u>\$ 555,453.65</u>		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WATER UTILITY FUND

Statement of Cash Receipts and Expenditures-
Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year	Current Year		Variance- Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Charges for Services				
Water Sales	\$ 781,459.95	\$ 772,498.63	\$ 750,000.00	\$ 22,498.63
Forfeited Penalties and Discounts	33,001.03	38,744.08	25,000.00	13,744.08
Water Vendor	2,030.35	1,538.51	1,000.00	538.51
Connection Fees	1,695.00	885.00	-	885.00
Protection Fee	2,240.93	3,243.94	1,000.00	2,243.94
Clean Drinking Water	5.48	-	-	-
Use of Money and Property				
Interest	1,943.36	903.26	1,000.00	(96.74)
Other Receipts				
Reimbursed Expense	19,649.18	43,457.87	-	43,457.87
TOTAL RECEIPTS	842,025.28	861,271.29	\$ 778,000.00	\$ 83,271.29
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Production				
Personal Services	172,487.15	170,616.34	\$ 320,000.00	\$(149,383.66)
Contractual Services	24,860.82	19,172.94	-	19,172.94
Commodities	101,919.57	141,212.97	-	141,212.97
Capital Outlay	2,510.60	-	-	-
Transmission and Distribution				
Personal Services	53,237.88	60,964.71	160,000.00	(99,035.29)
Contractual Services	12,827.36	11,226.33	-	11,226.33
Commodities	71,676.63	83,795.47	-	83,795.47
Capital Outlay	-	-	-	-
Commercial and General				
Personal Services	142,656.33	90,352.42	160,000.00	(69,647.58)
Contractual Services	12,743.37	13,372.51	-	13,372.51
Commodities	3,522.40	3,640.78	-	3,640.78
Capital Outlay	-	-	85,000.00	(85,000.00)
Miscellaneous	-	-	40,100.00	(40,100.00)
Interest on Deposits	27.88	388.97	-	388.97
Kansas User Tax	6,766.48	9,691.80	-	9,691.80
Debt Service	167,950.00	168,990.00	169,900.00	(910.00)
Operating Transfers to Other Funds				
General Fund	300,000.00	20,000.00	20,000.00	-
Industrial Devopment Fund	-	35,000.00	35,000.00	-
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	1,073,186.47	828,425.24	\$ 990,000.00	\$(161,574.76)
Receipts Over (Under) Expenditures	(231,161.19)	32,846.05		
Unencumbered Cash, Beginning	341,248.63	110,087.44		
Unencumbered Cash, Ending	\$ 110,087.44	\$ 142,933.49		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF FREDONIA, KANSAS

ELECTRIC UTILITY FUND

Statement 3-10

Statement of Cash Receipts and Expenditures-
Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year	Current Year		Variance- Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Charges for Services				
Sales	\$2,437,553.96	\$2,357,574.41	\$2,800,000.00	\$ (442,425.59)
Sales Tax	4,019.52	5,875.99	2,000.00	3,875.99
Fuel Cost Adjustments	420,427.99	717,319.03	275,000.00	442,319.03
Use of Money and Property				
Interest	4,877.02	290.10	5,000.00	(4,709.90)
Operating Transfers From Reserves				
Electric Reserve	50,000.00	-	-	-
Other Receipts				
Rentals	1,275.00	2,411.80	1,000.00	1,411.80
Reimbursed Expense	59,600.34	90,341.61	1,000.00	89,341.61
TOTAL RECEIPTS	2,977,753.83	3,173,812.94	\$3,084,000.00	\$ 89,812.94
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Production				
Personal Services	116,988.54	97,004.69	\$ 100,000.00	\$ (2,995.31)
Contractual Services	1,656,523.36	2,008,940.85	1,895,000.00	113,940.85
Commodities	2,188.13	4,086.06	5,000.00	(913.94)
Capital Outlay	101,387.91	-	-	-
Transmission and Distribution				
Personal Services	167,591.54	145,826.26	145,000.00	826.26
Contractual Services	8,530.50	10,201.80	9,000.00	1,201.80
Commodities	78,415.90	117,812.38	106,000.00	11,812.38
Capital Outlay	-	21,756.00	155,000.00	(133,244.00)
Commercial and General				
Personal Services	120,820.89	94,171.71	125,000.00	(30,828.29)
Contractual Services	18,532.27	17,743.28	20,000.00	(2,256.72)
Commodities	1,675.27	3,740.41	5,000.00	(1,259.59)
Capital Outlay	-	-	15,000.00	(15,000.00)
Miscellaneous	56.92	4,811.52	-	4,811.52
Interest on Deposits	84.01	1,043.99	200.00	843.99
Operating Transfers to Other Funds				
General Fund	150,000.00	320,000.00	320,000.00	-
Bond and Interest Fund	255,393.75	255,377.50	255,378.00	(0.50)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	2,678,188.99	3,102,516.45	\$3,155,578.00	\$ (53,061.55)
Receipts Over (Under) Expenditures	299,564.84	71,296.49		
Unencumbered Cash, Beginning	100,569.59	400,134.43		
Unencumbered Cash, Ending	\$ 400,134.43	\$ 471,430.92		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

SEWER UTILITY FUNDStatement of Cash Receipts and Expenditures-
Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year	Current Year		Variance- Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Charges for Services				
Customer Service	\$ 191,083.30	\$ 183,148.08	\$ 205,000.00	\$ (21,851.92)
Connection Fees	408.00	1,451.00	-	1,451.00
Other Receipts				
Reimbursed Expense	4,431.90	1,659.82	-	1,659.82
TOTAL RECEIPTS	<u>195,923.20</u>	<u>186,258.90</u>	<u>\$ 205,000.00</u>	<u>\$ (18,741.10)</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Operations				
Personal Services	72,652.06	64,350.04	\$ 65,000.00	\$ (649.96)
Contractual Services	25,903.98	19,872.24	18,000.00	1,872.24
Commodities	9,773.85	17,815.91	9,000.00	8,815.91
Capital Outlay	-	5,221.92	80,000.00	(74,778.08)
Debt Service	48,938.40	47,759.08	49,000.00	(1,240.92)
Operating Transfers to Other Funds				
General Fund	100,000.00	10,000.00	10,000.00	-
Sewer Reserve	-	10,000.00	10,000.00	-
Industrial Development Fund	-	15,000.00	15,000.00	-
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>257,268.29</u>	<u>190,019.19</u>	<u>\$ 256,000.00</u>	<u>\$ (65,980.81)</u>
Receipts Over (Under) Expenditures	(61,345.09)	(3,760.29)		
Unencumbered Cash, Beginning	<u>166,950.26</u>	<u>105,605.17</u>		
Unencumbered Cash, Ending	<u>\$ 105,605.17</u>	<u>\$ 101,844.88</u>		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

SOLID WASTE FUNDStatement of Cash Receipts and Expenditures-
Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year	Current Year		Variance- Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Charges for Services				
Residential and Commercial Service	\$ 203,616.54	\$ 205,654.07	\$ 200,000.00	\$ 5,654.07
Recycling	27,199.90	29,032.49	15,500.00	13,532.49
TOTAL RECEIPTS	<u>230,816.44</u>	<u>234,686.56</u>	<u>\$ 215,500.00</u>	<u>\$ 19,186.56</u>
EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET				
Personal Service	142,125.56	123,925.30	\$ 162,021.00	\$ (38,095.70)
Contractual Services	40,345.40	35,409.90	31,960.00	3,449.90
Commodities	19,347.55	28,258.48	29,256.00	(997.52)
Capital Outlay	12,814.00	20,263.00	63,000.00	(42,737.00)
TOTAL EXPENDITURES AND TRANSFERS SUBJECT TO BUDGET	<u>214,632.51</u>	<u>207,856.68</u>	<u>\$ 286,237.00</u>	<u>\$ (78,380.32)</u>
Receipts Over (Under) Expenditures	16,183.93	26,829.88		
Unencumbered Cash, Beginning	76,091.35	92,275.28		
Unencumbered Cash, Ending	<u>\$ 92,275.28</u>	<u>\$ 119,105.16</u>		

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF FREDONIA, KANSAS

Statement 3-13

FREDONIA PUBLIC LIBRARY

Statement of Cash Receipts and Expenditures-
Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year Actual	Current Year Actual
CASH RECEIPTS		
Intergovernmental		
SEK Library System	\$ 7,849.00	\$ 8,632.00
State of Kansas	1,685.00	1,678.00
Fees	8,877.56	9,737.97
Memorials and Gifts	62,993.28	216,178.49
Grants	2,340.60	5,683.00
City of Fredonia	33,644.90	32,129.44
Use of Money and Property		
Interest	19,233.09	4,466.69
Other		
Distribution from Foundation	-	15,000.00
	<u>136,623.43</u>	<u>293,505.59</u>
TOTAL RECEIPTS		
EXPENDITURES AND TRANSFERS		
Culture and Recreation		
Personal Services	64,165.59	72,665.36
Contractual Services	982.07	1,264.26
Commodities	20,783.30	27,794.67
Capital Outlay	2,397.59	-
Library Foundation	-	589,751.12
	<u>88,328.55</u>	<u>691,475.41</u>
TOTAL EXPENDITURES AND TRANSFERS		
Receipts Over (Under) Expenditures	48,294.88	(397,969.82)
Unencumbered Cash, Beginning	<u>368,767.99</u>	<u>417,062.87</u>
Unencumbered Cash, Ending	<u>\$ 417,062.87</u>	<u>\$ 19,093.05</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

HOUSING AUTHORITY OF THE CITY OF FREDONIA

Statement of Cash Receipts and Expenditures-
Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year Actual	Current Year Actual
CASH RECEIPTS		
Revenues		
Rental Income	\$ 119,395.86	\$ 128,478.00
Laundry Income	1,906.26	1,638.76
Rental Assistance	45,214.45	49,753.00
Interest Income	2,750.19	1,808.16
Interest Subsidy	-	-
Insurance Proceeds	-	-
Miscellaneous	366.64	107.00
TOTAL RECEIPTS	169,633.40	181,784.92
EXPENDITURES AND TRANSFERS		
Operating Expenses		
Maintenance Payroll	14,073.27	16,501.90
Maintenance and Repairs Supply	24,614.79	33,418.32
Maintenance and Repairs Contract Labor	17,716.10	6,122.28
Grounds	7,687.45	4,150.99
Electric, Water and Sewer	14,017.23	16,301.95
Internet	420.00	420.00
Site Management Payroll	22,719.14	25,299.63
Accounting Fees	2,000.00	2,850.00
Advertising	830.78	319.95
Telephone	1,456.52	1,647.38
Office Supplies	1,596.42	2,189.80
Training Expense	168.00	495.32
Payroll Taxes	2,814.60	3,167.56
Workers Compensation Insurance	836.95	1,181.51
Computer Expenses	766.80	1,124.54
Other Administrative Expense	127.46	8.00
Property Insurance	12,250.00	14,114.76
Bonding Insurance	297.00	297.00
Depreciation	46,760.23	30,183.18
Overage	15,226.00	17,326.00
Late Fees	6,819.85	6,300.97
Interest Expense	28,999.61	26,517.45
TOTAL EXPENDITURES AND TRANSFERS	222,198.20	209,938.49
Receipts Over (Under) Expenditures	(52,564.80)	(28,153.57)
Net Assets at Beginning of Year	(52,823.46)	(105,388.26)
Net Assets at End of Year	\$ (105,388.26)	\$ (133,541.83)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WATER BOND RESERVE FUNDStatement of Cash Receipts and Expenditures-
Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	<u>Prior Year</u>	<u>Current Actual</u>
CASH RECEIPTS		
Operating Transfer from Other Funds		
Water Utility Fund	\$ -	\$ -
TOTAL RECEIPTS	<u>-</u>	<u>-</u>
EXPENDITURES		
Contractual Services	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>127,500.00</u>	<u>127,500.00</u>
Unencumbered Cash, Ending	<u>\$ 127,500.00</u>	<u>\$ 127,500.00</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WATER MAINTENANCE RESERVE FUNDStatement of Cash Receipts and Expenditures-
Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	<u>Prior Year</u>	<u>Current Actual</u>
CASH RECEIPTS		
Operating Transfer from Other Funds		
Water Utility Fund	\$ -	\$ -
TOTAL RECEIPTS	<u>-</u>	<u>-</u>
EXPENDITURES		
Contractual Services	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>25,000.00</u>	<u>25,000.00</u>
Unencumbered Cash, Ending	<u>\$ 25,000.00</u>	<u>\$ 25,000.00</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WATER SECURITY DEPOSIT FUND

Statement of Cash Receipts and Expenditures-
Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	<u>Prior Year</u>	<u>Current Year</u>
CASH RECEIPTS		
Meter Deposits	\$ 3,375.00	\$ 3,375.00
TOTAL RECEIPTS	<u>3,375.00</u>	<u>3,375.00</u>
EXPENDITURES AND TRANSFERS		
Meter Deposits	<u>325.00</u>	<u>3,700.00</u>
TOTAL EXPENDITURES	<u>325.00</u>	<u>3,700.00</u>
Receipts Over (Under) Expenditures	3,050.00	(325.00)
Unencumbered Cash, Beginning	<u>31,899.00</u>	<u>34,949.00</u>
Unencumbered Cash, Ending	<u>\$ 34,949.00</u>	<u>\$ 34,624.00</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

ELECTRIC SECURITY DEPOSIT FUND

Statement of Cash Receipts and Expenditures-
Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	<u>Prior Year</u>	<u>Current Year</u>
CASH RECEIPTS		
Meter Deposits	<u>\$ 8,940.00</u>	<u>\$ 10,125.00</u>
TOTAL RECEIPTS	<u>8,940.00</u>	<u>10,125.00</u>
EXPENDITURES AND TRANSFERS		
Meter Deposits	<u>960.00</u>	<u>10,979.29</u>
TOTAL EXPENDITURES	<u>960.00</u>	<u>10,979.29</u>
Receipts Over (Under) Expenditures	7,980.00	(854.29)
Unencumbered Cash, Beginning	<u>90,630.00</u>	<u>98,610.00</u>
Unencumbered Cash, Ending	<u><u>\$ 98,610.00</u></u>	<u><u>\$ 97,755.71</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CAPITAL IMPROVEMENT RESERVE FUND

**Statement of Cash Receipts and Expenditures-
Actual**

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	<u>Prior Year</u>	<u>Current Actual</u>
CASH RECEIPTS		
Use of Money and Property		
Interest Income	\$ 5,545.96	\$ -
TOTAL RECEIPTS	<u>5,545.96</u>	<u>-</u>
EXPENDITURES		
Capital Outlay	<u>30,731.12</u>	<u>30,731.12</u>
TOTAL EXPENDITURES	<u>30,731.12</u>	<u>30,731.12</u>
Receipts Over (Under) Expenditures	(25,185.16)	(30,731.12)
Unencumbered Cash, Beginning	<u>167,314.21</u>	<u>142,129.05</u>
Unencumbered Cash, Ending	<u>\$ 142,129.05</u>	<u>\$ 111,397.93</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

ELECTRIC CAPITAL RESERVE FUNDStatement of Cash Receipts and Expenditures-
Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	<u>Prior Year</u>	<u>Current Actual</u>
CASH RECEIPTS		
Use of Money and Property		
Interest Income	\$ 5,379.15	\$ -
Operating Transfer from Other Funds		
Electric Utility Fund	-	-
TOTAL RECEIPTS	<u>5,379.15</u>	<u>-</u>
EXPENDITURES		
Transfer to Electric Utility Fund	<u>50,000.00</u>	<u>-</u>
TOTAL EXPENDITURES	<u>50,000.00</u>	<u>-</u>
Receipts Over (Under) Expenditures	(44,620.85)	-
Unencumbered Cash, Beginning	<u>212,284.82</u>	<u>167,663.97</u>
Unencumbered Cash, Ending	<u>\$ 167,663.97</u>	<u>\$ 167,663.97</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

SEWER RESERVE FUNDStatement of Cash Receipts and Expenditures-
Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	Prior Year	Current Actual
	<u> </u>	<u> </u>
CASH RECEIPTS		
Operating Transfer from Other Funds		
Sewer Utility Fund	\$ -	\$ 10,000.00
TOTAL RECEIPTS	<u> -</u>	<u>10,000.00</u>
EXPENDITURES		
Contractual Services	<u> -</u>	<u> -</u>
TOTAL EXPENDITURES	<u> -</u>	<u> -</u>
Receipts Over (Under) Expenditures	-	10,000.00
Unencumbered Cash, Beginning	<u>75,000.00</u>	<u>75,000.00</u>
Unencumbered Cash, Ending	<u><u>\$ 75,000.00</u></u>	<u><u>\$ 85,000.00</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NEIGHBORHOOD REVITALIZATION FUND

Statement of Cash Receipts and Expenditures-
Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	<u>Prior Year</u>	<u>Current Actual</u>
CASH RECEIPTS		
Application Fee	\$ 50.00	\$ -
TOTAL RECEIPTS	<u>50.00</u>	<u>-</u>
EXPENDITURES		
Contractual Services	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	50.00	-
Unencumbered Cash, Beginning	<u>50.00</u>	<u>100.00</u>
Unencumbered Cash, Ending	<u>\$ 100.00</u>	<u>\$ 100.00</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FIRE RESERVE FUND

Statement of Cash Receipts and Expenditures-
Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007)

	<u>Prior Year</u>	<u>Current Actual</u>
CASH RECEIPTS		
Miscellaneous Income	\$ 25,923.53	\$ -
Use of Money and Property		
Interest Income	<u>3,520.63</u>	<u>3,182.19</u>
TOTAL RECEIPTS	<u>29,444.16</u>	<u>3,182.19</u>
EXPENDITURES		
Commodities	<u>1,127.00</u>	<u>15,341.04</u>
TOTAL EXPENDITURES	<u>1,127.00</u>	<u>15,341.04</u>
Receipts Over (Under) Expenditures	28,317.16	(12,158.85)
Unencumbered Cash, Beginning	<u>110,764.50</u>	<u>139,081.66</u>
Unencumbered Cash, Ending	<u>\$ 139,081.66</u>	<u>\$ 126,922.81</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WATER RESERVE FUND

Statement of Cash Receipts and Expenditures-
Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for Prior Year Ended December 31, 2007

	<u>Prior Year</u>	<u>Current Actual</u>
CASH RECEIPTS		
Operating Transfer from Other Funds		
Water Utility Fund	\$ -	\$ -
TOTAL RECEIPTS	<u>-</u>	<u>-</u>
EXPENDITURES		
Contractual Services	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>50,000.00</u>	<u>50,000.00</u>
Unencumbered Cash, Ending	<u><u>\$ 50,000.00</u></u>	<u><u>\$ 50,000.00</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

AGENCY FUNDS

Summary of Cash Receipts and Cash Disbursements

For the Year Ended December 31, 2008

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Payroll Clearing Fund	\$ 2,017.85	\$ 10,933.60	\$ 10,933.60	\$ 2,017.85
Sales Tax Fund	77,528.20	546,832.82	611,253.12	13,107.90
CDBG Fund	18,634.00	149,111.00	167,745.00	-
TOTAL	<u>\$ 98,180.05</u>	<u>\$ 706,877.42</u>	<u>\$ 789,931.72</u>	<u>\$ 15,125.75</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CITY OF FREDONIA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fredonia, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental and financial reporting principles. The more significant of the city's accounting policies follow. Note 1 also describes how the city's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The City of Fredonia, Kansas is a municipal corporation governed by an elected three-member commission. These financial statements present the City of Fredonia, Kansas (the primary government) and its component units. The component units are included in the city's reporting entity because of the significance of its operational or financial relationship with the city. The governing bodies of the component units are appointed by the city.

Discretely Presented Component Units.

The component unit section of the financial statements includes the financial data of the discretely presented component units. These component units are reported separately to emphasize that they are legally separate from the city.

Public Library

The Fredonia Public Library is included in the accompanying financial statements because: the governing officials of the library are appointed by the city; the primary source of revenue for the library is from property taxes levied by the city; and the city's citizens benefit from the activities of the library represent the geographic area in which the library's services are rendered.

Housing Authority of the City of Fredonia

The Housing Authority of the City of Fredonia is included in the accompanying financial statements because: the governing officials of the housing authority are appointed by the city and the city can modify decisions of the housing authority.

Fredonia Regional Hospital

The city has omitted Fredonia Regional Hospital from the component unit presentation. The hospital has contracted for a separate audit of its books and records. Funds are made available to the hospital through a one-percent city sales tax. A copy of the audit report may be obtained from Fredonia Regional Hospital or the City of Fredonia.

Basis of Presentation – Fund 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 regulations, restrictions, or limitations.

See Independent Auditor's Report

CITY OF FREDONIA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following types of funds comprise the financial activities of the City of Fredonia, Kansas for the year of 2008:

GOVERNMENTAL FUNDS

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

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

Debt service fund - to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City of Fredonia, Kansas.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

Agency funds - to account for assets held by a governmental unit as trustee or agent for others.

Statutory Basis of Accounting

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

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

See Independent Auditor's Report

CITY OF FREDONIA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Departures from Generally Accepted Accounting Principles 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 noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements.

Also, general long-term debt such as general obligation bonds, 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. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The City of Fredonia had one such budget amendment for 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 cash basis of accounting, modified further by the recording of accounts payable and encumbrances. Revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budget expenditure authority lapses at year-end.

See Independent Auditor's Report

CITY OF FREDONIA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A legal operating budget is not required for capital project funds, trust funds, reserve accounts, and the Fredonia Public Library (a component unit).

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.

Cash and investments

Cash and investments include checking accounts, interest-bearing money market accounts, and certificates of deposit. Kansas statutes permit investment in savings accounts, certificates of deposit and in certain cases, obligations of the U.S. Treasury.

Vacation and sick pay

The vacation policy of the City is as follows:

- 1 week after 1 full year of service
- 2 weeks from 2-7 years of service
- 3 weeks from 8-14 years of service
- 4 weeks from 15-21 years of service
- 5 weeks from 22-29 years of service
- 6 weeks after 30 years of service

If vacation time is not used for any year, the unused portion may not be carried over to a subsequent year. Sick leave accrues one day per month up to a maximum of 60 days.

Pension Plan

Substantially all full-time city employees are members of the State of Kansas Public Employees Retirement System or the State of Kansas Police and Fire Retirement System, both of which are multi-employer state-wide pension plans. The city's policy is to fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State. (See Note 4).

Property Taxes and Other Receivables

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The county treasurer is the tax collection agent for all taxing entities within the county. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

Reimbursed Expenses

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

See Independent Auditor's Report

CITY OF FREDONIA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – COMPLIANCE WITH KANSAS STATUTES

The City violated the cash basis law in the Tourism Fund by \$136.14 and the General Fund by \$42,249.35.

NOTE 3 – DEPOSITS AND INVESTMENTS

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 to have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

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

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

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

At year-end the carrying amount of the City's deposits, including certificates of deposit, was \$3,320,997.43 and the bank balance was \$3,480,174.56. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. The bank balance was held by two banks, resulting in a concentration of credit risk. Of the bank balance, \$376,922.81 was covered by federal depository insurance and the remaining \$3,103,251.75 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the City, the pledging bank, and the independent third-party bank holding the pledged securities.

See Independent Auditor's Report

CITY OF FREDONIA, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2008

NOTE 4 – DEFINED BENEFIT PENSION PLAN

Plan description. The City of Fredonia, 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 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) 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 provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The KPERs employer rate established for January 1 to December 31, 2008 is 5.93%. The City of Fredonia, Kansas employer contributions to KPERs for the years ending December 31, 2008, 2007, and 2006 were \$60,010, \$54,387 and \$50,618, respectively, equal to the statutory required contributions for each year.

NOTE 5 – INTERFUND TRANSACTIONS

Operating transfers were as follows:

From	To	Statutory Authority	Amount
Electric Utility	General Fund	K.S.A. 12-825d	\$ 320,000.00
Electric Utility	Bond and Interest Fund	K.S.A. 12-825d	255,377.50
Water Utility	General Fund	K.S.A. 12-825d	20,000.00
Water Utility	Industrial Development Fund	K.S.A. 12-825d	35,000.00
Sewer Utility	General Fund	K.S.A. 12-825d	10,000.00
Sewer Utility	Sewer Reserve	K.S.A. 12-825d	10,000.00
Sewer Utility	Industrial Development Fund	K.S.A. 12-825d	15,000.00
½ Cent Sales Tax	General Fund	K.S.A. 12-825d	64,600.00
½ Cent Sales Tax	Bond and Interest Fund	K.S.A. 12-825d	24,171.78
			\$ 754,149.28

NOTE 6 – ECONOMIC DEPENDENCY

The City of Fredonia distributes electricity to residents living within the city limits. Most of the electricity is purchased from Kansas Municipal Energy Agency. The City then distributes the electricity to its customers.

NOTE 7 - RESERVED RETAINED EARNINGS

The water utility has reserved \$152,500.00 of retained earnings for payment of revenue bonds and maintenance of water lines as of December 31, 2008.

See Independent Auditor's Report

CITY OF FREDONIA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 8 - OPERATING LEASE

The City of Fredonia and Fredonia Regional Hospital entered into an operating lease agreement on a residential living apartment complex that was built in 1995 and referred to as Madison Square. The apartment complex consists of twenty, one and two bedroom apartments with a garage available. There is a social room where the residents are served one meal a day that is provided by the hospital. The hospital also provides the utilities and cable television, all maintenance and limited housekeeping. All apartments are connected to the hospital through an emergency call system. These services are provided for the residents for a monthly rent payment. Debt service requirements are equal to revenue derived from the project.

NOTE 9 – LONG-TERM COMMITMENT

In September of 2000, the city signed a contract with the Public Water Wholesale Supply District #23 for the purchase of water for a period of 40 years from the date of initial delivery of water to the city. The contract is cancelable if bids have not been submitted for construction within 48 months of the signing of the contract or if the initial cost of water will exceed \$3.50 per thousand gallons. An agreement reached in August, 2004 has established the cost of water to the city at \$3.00 per thousand gallons.

NOTE 10 – 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.

CITY OF FREDONIA, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 11 - 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
General Obligation Bonds										
Series A 1999	3.90-4.50%	5/19/99	\$ 602,000	10/1/09	\$ 125,000	\$ -	\$ 60,000	\$ (60,000)	\$ 65,000	\$ 5,565
Madison Square	5.50%	6/1/95	1,250,000	11/30/10	316,916	-	102,781	(102,781)	214,135	14,865
Electric Utility Series A 2005	2.50-4.15%	4/1/05	2,490,000	4/1/17	2,145,000	-	180,000	(180,000)	1,965,000	75,378
Series A 2008 Flood	3.25-5.25%	9/15/08	2,000,000	9/1/28	-	2,000,000	-	2,000,000	2,000,000	-
Revenue Bonds										
Water Utility Refunding	3.75-5.30%	3/4/99	2,040,000	12/1/19	1,480,000	-	95,000	(95,000)	1,385,000	73,988
Temporary Notes										
Fire Truck	3.50%	10/17/05	89,305	10/17/08	30,685	-	30,685	(30,685)	-	1,080
Series 2007-Fire Station	4.38%	7/1/07	510,000	8/1/10	510,000	-	-	-	510,000	24,172
Series 2008-Flood	3.00%	9/15/08	710,000	9/15/08	-	710,000	-	710,000	710,000	-
Capital Leases										
Trash Truck	4.90%	11/13/06	92,130	11/10/10	70,604	-	22,434	(22,434)	48,170	3,194
Dump Truck	5.00%	6/5/07	83,835	6/5/11	73,968	-	20,268	(20,268)	53,700	2,475
ED Building	5.25%	12/11/06	60,000	12/11/09	40,558	-	19,753	(19,753)	20,805	1,873
Total long-term debt					\$ 4,792,731	\$ 2,710,000	\$ 530,921	\$ 2,179,079	\$ 6,971,810	\$ 202,560

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

	2009	2010	2011	2012	2013	2014-2018	2019-2023	2024-2028	Total
Principal:									
General obligation bonds	\$ 428,578	\$ 360,557	\$ 270,000	\$ 275,000	\$ 295,000	\$ 1,415,000	\$ 525,000	\$ 675,000	\$ 4,244,135
Revenue bonds	100,000	105,000	105,000	110,000	120,000	685,000	160,000	-	1,385,000
Temporary notes	710,000	510,000	-	-	-	-	-	-	1,220,000
Capital lease payable	65,360	46,380	10,935	-	-	-	-	-	122,675
Total principal	\$ 1,303,938	\$ 1,021,937	\$ 385,935	\$ 385,000	\$ 415,000	\$ 2,100,000	\$ 685,000	\$ 675,000	\$ 6,971,810
Interest:									
General obligation bonds	\$ 173,238	\$ 152,231	\$ 140,471	\$ 130,882	\$ 120,680	\$ 429,434	\$ 248,688	\$ 109,988	\$ 1,505,612
Revenue bonds	69,712	65,113	60,178	55,190	49,690	151,590	8,320	-	459,793
Temporary notes	46,414	22,313	-	-	-	-	-	-	68,727
Capital lease payable	4,639	1,882	196	-	-	-	-	-	6,717
Total interest	\$ 294,003	\$ 241,539	\$ 200,845	\$ 186,072	\$ 170,370	\$ 581,024	\$ 257,008	\$ 109,988	\$ 2,040,849

See Independent Auditor's Report

SINGLE AUDIT REPORTS



Dennis J. Edwards, CPA, P.A.

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

To the City Commission
City of Fredonia, Kansas

I have audited the financial statements of the City of Fredonia, Kansas as of and for the year ended December 31, 2008, and have issued my report thereon dated September 28, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Fredonia, Kansas's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting I consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dennis J. Edwards CPA PA

Holton, Kansas
September 28, 2009



Dennis J. Edwards, CPA, P.A.

608 New Jersey • P.O. Box 461 • Holton, KS 66436

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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the City Commission
City of Fredonia, Kansas

Compliance

I have audited the compliance of the City of Fredonia, Kansas with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2008. The City of Fredonia, Kansas's major programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Fredonia, Kansas's management. My responsibility is to express an opinion on the City of Fredonia, Kansas's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. My audit included examining, on a test basis, evidence about the City of Fredonia, Kansas's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the City of Fredonia, Kansas's compliance with those requirements.

In my opinion, the City of Fredonia, Kansas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City of Fredonia, Kansas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the City of Fredonia, Kansas's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees within a timely period, in the normal course of performing their assigned functions, to prevent or detect noncompliance with applicable requirements of laws, regulations, contracts and grants that would have a direct and material effect on a major federal program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants such that there is more than a remote likelihood that the Organization's noncompliance that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with applicable requirements of laws, regulations, contracts and grants in relation to a major federal program will not be prevented or detected by the Organization's internal control.

My consideration of internal control was for the limited purpose described in the fourth paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of commissioners, management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Dennis J Edwards CPA PA

Holton, Kansas
September 28, 2009

**CITY OF FREDONIA, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Fredonia Kansas.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances on noncompliance material to the financial statements of the City of Fredonia Kansas were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the City of Fredonia Kansas expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City of Fredonia Kansas are reported in this Schedule.

The programs tested as major programs included:

Department of Homeland Security

Disaster Grants – Public Assistance – CFDA# 97-036

7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The City of Fredonia Kansas was not determined to be a low-risk auditee.

FINDINGS-FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs for the year ended December 31, 2008.

**CITY OF FREDONIA, KANSAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2008**

CFDA #	NAME OF FEDERAL PROGRAM	ASSISTANCE
97.036	Department of Homeland Security - Disaster grants - Public Assistance	\$ 838,796
14.228	Department of Housing and Urban Development - CDBG	92,619
	Total Assistance	\$ 931,415

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Fredonia, Kansas, and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying notes to financial statements.