CITY OF ENTERPRISE

DICKINSON COUNTY, KANSAS

INDEPENDENT AUDITORS' REPORT AND

STATUTORY BASIS FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

ALDRICH AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
COUNCIL GROVE, KANSAS 66846

City of Enterprise
Dickinson County, Kansas

STATUTORY BASIS FINANCIAL STATEMENTS
Year Ended December 31, 2009

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ALDRICH & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Mayor and City Council
Enterprise City Hall
Enterprise, Kansas 67441

Members of the Governing Body

We have audited the accompanying financial statements of the City of Enterprise, Kansas as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the City of Enterprise, 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.

As discussed in Note I, the beginning fund balances of the electric fund and sewer fund have been restated to correct a misstatement.

As described more fully in Note A, the City of Enterprise has prepared these financial statements in conformity with the 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 differences between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Enterprise, Kansas, as of December 31, 2009, the changes in its financial position, or where applicable, its cash flows 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 City of Enterprise, Kansas, as of December 31, 2009, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note A.

Aldrich & Company, LLC

ALDRICH AND COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

September 3, 2010

City of Enterprise
Dickinson County, Kansas

Statement 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2009

Fund	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	$ 45,309	$ 237,974	$ 254,154	$ 29,129	$ 4,250	$ 33,379
Special Revenue Funds						
Special Fire Equipment	978	8,533	7,500	2,011	0	2,011
Recreation	349	5,142	5,057	434	0	434
Library	587	13,703	13,800	490	0	490
Special Highway	114,559	26,710	210,769	(69,500)	524	(68,976)
Special Law Enforcement	1,240	5,788	5,100	1,928	0	1,928
Employee Benefits	27,696	6,615	25,235	9,076	183	9,259
Tort Liability	6	2	0	8	0	8
Debt Service						
Bond and Interest	7,226	46,862	44,036	10,052	0	10,052
Proprietary Type Funds						
Sewer Utility	30,433	104,048	88,997	45,484	2,188	47,672
Water Utility	13,445	109,442	101,763	21,124	3,449	24,573
Electric Utility	74,837	484,069	447,758	111,148	24,255	135,403
Expendable Trusts						
Landfill	2	3,633	2,730	905	0	905
Swimming Pool Endowment	1,175	0	0	1,175	0	1,175
TV Tower Endowment	72	0	0	72	0	72
Total Primary Government	$ 317,914	$ 1,052,521	$ 1,206,899	$ 163,536	$ 34,849	$ 198,385
Component Units						
Recreation Commission	10,127	6,581	8,670	8,038	0	8,038
Public Library	12,137	16,767	18,805	10,099	748	10,847
Total Reporting Entity	$ 340,178	$ 1,075,869	$ 1,234,374	$ 181,673	$ 35,597	$ 217,270

Composition of Cash:	
Checking	$ 11,941
Money market checking account	26,136
Petty cash checking	233
Investments - certificates of deposit	160,000
Recreation Commission checking account	8,038
Public Library checking account	2,724
Public Library savings memorial account	8,123
Cash on hand	75
Total cash reporting entity	$ 217,270

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

City of Enterprise
Dickinson County, Kansas

Statement 2

Summary of Expenditures – Actual and Budgeted
(Budgeted Funds Only)
For the Year Ended December 31, 2009

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General Fund	$ 255,800		$ 255,800	$ 254,154	$ 1,646
Special Revenue Funds					
Special Fire Equipment	8,500		8,500	7,500	1,000
Recreation	5,000		5,000	5,057	(57)
Library	13,800		13,800	13,800	0
Special Highway	140,000	137,338	277,338	210,769	66,569
Special Law Enforcement	6,194		6,194	5,100	1,094
Employee Benefits	33,150		33,150	25,235	7,915
Tort Liability	0		0	0	0
Debt Service					
Bond and Interest	50,516		50,516	44,036	6,480
Enterprise Funds					
Sewer Utility	103,500		103,500	88,997	14,503
Water Utility	114,862		114,862	101,763	13,099
Electric Utility	549,000		549,000	447,758	101,242

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

City of Enterprise
Dickinson County, Kansas

Statement 3

GENERAL FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009

	Current Year		
	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts			
Taxes			
Dickinson County	$ 110,640	$ 108,611	$ 2,029
Sales tax	66,902	60,000	6,902
Franchise fees	13,202	10,500	2,702
Total taxes	190,744	179,111	11,633
Intergovernmental			
Kan Step Library/Fire Station Grant	0	0	0
Licenses and Permits	924	1,000	(76)
Fines & court costs	16,783	10,000	6,783
Use of Money and Property	6,882	3,000	3,882
Other Receipts			
Swimming pool	7,480	6,000	1,480
FEMA & KS FEMA	0	0	0
Other receipts	15,161	2,000	13,161
Total Other Receipts	22,641	8,000	14,641
Operating Transfers			
Electric Utility	0	50,000	(50,000)
Total Cash Receipts	$ 237,974	$ 251,111	$ (13,137)
Expenditures			
General			
Personal	$ 37,319	$ 25,500	$ (11,819)
Commodities	6,399	10,500	4,101
Contractual	47,218	40,000	(7,218)
Capital outlay	3,847	15,000	11,153
Total General	94,783	91,000	(3,783)
Swimming Pool			
Personal	24,216	19,000	(5,216)
Commodities	6,200	3,750	(2,450)
Contractual	2,485	4,500	2,015
Capital outlay	0	2,500	2,500
Total Swimming Pool	32,901	29,750	(3,151)
Subtotal	$ 127,684	$ 120,750	$ (6,934)

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

City of Enterprise
Dickinson County, Kansas

Statement 3

GENERAL FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009

	Current Year		
	Actual	Budget	Variance Favorable (Unfavorable)
Expenditures Carried Forward	$ 127,684	$ 120,750	$ (6,934)
Parks and Recreation			
Personal	6,297	4,000	(2,297)
Commodities	3,099	2,000	(1,099)
Contractual	0	0	0
Total Parks and Recreation	9,396	6,000	(3,396)
Streets			
Personal	10,502	5,000	(5,502)
Commodities	15,823	20,000	4,177
Contractual	89	5,500	5,411
Street lighting	6,703	0	(6,703)
Capital outlay	0	4,800	4,800
Total Streets	33,117	35,300	2,183
Fire			
Personal	2,229	2,500	271
Commodities	5,888	3,500	(2,388)
Contractual	5,485	9,000	3,515
Capital outlay	0	0	0
Total Fire	13,602	15,000	1,398
Public Transportation			
Commodities	0	750	750
Contractual	0	500	500
Total Public Transportation	0	1,250	1,250
Police			
Personal	52,092	53,500	1,408
Commodities	9,758	11,500	1,742
Contractual	8,505	12,500	3,995
Total Police	70,355	77,500	7,145
Total Expenditures	254,154	255,800	1,646
Receipts Over (Under) Expenditures	(16,180)	$ (4,689)	$ (11,491)
Unencumbered Cash, January 1	45,309		
Unencumbered Cash, December 31	$ 29,129		

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

City of Enterprise
Dickinson County, Kansas

Statement 3-1

SPECIAL REVENUE FUNDS
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009

SPECIAL FIRE EQUIPMENT

	Current Year		
	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts			
Dickinson County	$ 8,533	$ 8,582	$ (49)
Total Cash Receipts	8,533	8,582	(49)
Expenditures			
Commodities	0	0	0
Capital outlay	7,500	8,500	1,000
Total Expenditures	7,500	8,500	1,000
Receipts Over (Under) Expenditures	1,033	$ 82	$ 951
Unencumbered Cash, January 1	978		
Unencumbered Cash, December 31	$ 2,011		

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

City of Enterprise
Dickinson County, Kansas

Statement 3-2

SPECIAL REVENUE FUNDS
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009

RECREATION FUND

	Current Year		
	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts			
Dickinson County	$ 5,142	$ 4,941	$ 201
Total Cash Receipts	5,142	4,941	201
Expenditures			
Appropriation to Recreation Comm.	5,057	5,000	(57)
Total Expenditures	5,057	5,000	(57)
Receipts Over (Under) Expenditures	85	$ (59)	$ 144
Unencumbered Cash, January 1	349		
Unencumbered Cash, December 31	$ 434		

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

City of Enterprise
Dickinson County, Kansas

Statement 3-3

SPECIAL REVENUE FUNDS
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009

LIBRARY FUND

	Current Year		
	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts			
Dickinson County	$ 13,703	$ 13,267	$ 436
Total Cash Receipts	13,703	13,267	436
Expenditures			
Appropriation to Library Board	13,800	13,800	0
Total Expenditures	13,800	13,800	0
Receipts Over (Under) Expenditures	(97)	$ (533)	$ 436
Unencumbered Cash, January 1	587		
Unencumbered Cash, December 31	$ 490		

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

City of Enterprise
Dickinson County, Kansas

Statement 3-4

SPECIAL REVENUE FUNDS
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009

SPECIAL HIGHWAY FUND

	Current Year		
	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts			
Intergovernmental			
KDOT Special Highway	$ 20,360	$ 20,000	$ 360
KDOT Connecting Links	6,350	4,230	2,120
Other	0	0	0
Total Cash Receipts	26,710	24,230	2,480
Expenditures			
Personal	0	0	0
Commodities	1,758	0	(1,758)
Contractual	13,362	0	(13,362)
Capital outlay	195,649	140,000	(55,649)
Adjustment for budget credit	0	137,338	137,338
Total Expenditures	210,769	277,338	66,569
Receipts Over (Under) Expenditures	(184,059)	$ (253,108)	$ 69,049
Unencumbered Cash, January 1	114,559		
Unencumbered Cash, December 31	$ (69,500)		

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

City of Enterprise
Dickinson County, Kansas

Statement 3-5

SPECIAL REVENUE FUNDS
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009

SPECIAL LAW ENFORCEMENT FUND

	Current Year		
	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts			
Dickinson County	$ 5,788	$ 5,619	$ 169
Total Cash Receipts	5,788	5,619	169
Expenditures			
Capital outlay	5,100	6,194	1,094
Total Expenditures	5,100	6,194	1,094
Receipts Over (Under) Expenditures	688	$ (575)	$ 1,263
Unencumbered Cash, January 1	1,240		
Unencumbered Cash, December 31	$ 1,928		

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

City of Enterprise
Dickinson County, Kansas

Statement 3-6

SPECIAL REVENUE FUNDS
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009

EMPLOYEE BENEFITS FUND

	Current Year		
	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts			
Dickinson County	$ 6,615	$ 4,526	$ 2,089
Other	0	0	0
Total Cash Receipts	6,615	4,526	2,089
Expenditures			
Employee Benefits	25,235	33,150	7,915
Total Expenditures	25,235	33,150	7,915
Receipts Over (Under) Expenditures	(18,620)	$ (28,624)	$ 10,004
Unencumbered Cash, January 1	27,696		
Unencumbered Cash, December 31	$ 9,076		

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

City of Enterprise
Dickinson County, Kansas

Statement 3-7

SPECIAL REVENUE FUNDS
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009

TORT LIABILITY FUND

	Current Year		
	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts			
Dickinson County	$ 2	$ 0	$ 2
Total Cash Receipts	2	0	2
Expenditures			
Contractual services	0	0	0
Total Expenditures	0	0	0
Receipts Over (Under) Expenditures	2	$ 0	$ 2
Unencumbered Cash, January 1	6		
Unencumbered Cash, December 31	$ 8		

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

City of Enterprise
Dickinson County, Kansas

Statement 3-8

DEBT SERVICE FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009

BOND AND INTEREST FUND

	Current Year		
	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts			
Dickinson County	$ 37,399	$ 36,389	$ 1,010
Special assessments	9,463	9,086	377
Transfer from other funds	0	0	0
Total Cash Receipts	46,862	45,475	1,387
Expenditures			
Principal	33,000	38,564	5,564
Interest	11,034	11,952	918
Commission	2	0	(2)
Total Expenditures	44,036	50,516	6,480
Receipts Over (Under) Expenditures	2,826	$ (5,041)	$ 7,867
Unencumbered Cash, January 1	7,226		
Unencumbered Cash, December 31	$ 10,052		

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

City of Enterprise
Dickinson County, Kansas

Statement 3-9

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009

SEWER UTILITY FUND

	Current Year		
	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts			
Charges for services	$ 103,368	$ 95,000	$ 8,368
Other	680	0	680
Total Cash Receipts	104,048	95,000	9,048
Expenditures			
Production			
Personal services	51,396	63,500	12,104
Commodities	5,266	15,000	9,734
Contractual	23,064	20,000	(3,064)
Capital outlay	2,789	5,000	2,211
No fund warrants	6,482	0	(6,482)
Total Expenditures	88,997	103,500	14,503
Receipts Over (Under) Expenditures	15,051	$ (8,500)	$ 23,551
Unencumbered Cash, January 1	30,433		
Unencumbered Cash, December 31	$ 45,484		

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

City of Enterprise
Dickinson County, Kansas

Statement 3-10

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009

WATER UTILITY FUND

	Current Year		
	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts			
Charges for services	$ 108,609	$ 116,750	$ (8,141)
Other receipts	833	0	833
Total Cash Receipts	109,442	116,750	(7,308)
Expenditures			
Administrative			
Personal services	4,697	15,000	10,303
Contractual	0	500	500
Commodities	1,324	2,500	1,176
Production			
Personal services	51,413	59,062	7,649
Contractual	17,284	20,000	2,716
Commodities	22,654	15,500	(7,154)
Capital outlay	3,170	1,000	(2,170)
Water protection fee	1,221	1,300	79
Transfer to Bond & Interest	0	0	0
Total Expenditures	101,763	114,862	13,099
Receipts Over (Under) Expenditures	7,679	$ 1,888	$ 5,791
Unencumbered Cash, January 1	13,445		
Unencumbered Cash, December 31	$ 21,124		

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

City of Enterprise
Dickinson County, Kansas

Statement 3-11

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures – Actual and Budget
For the Year Ended December 31, 2009

ELECTRIC UTILITY FUND

	Current Year		
	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts			
Charges for services	$ 448,641	$ 475,000	$ (26,359)
Late charges	9,117	8,500	617
Other	226	500	(274)
Customer deposits	3,770	2,600	1,170
FEMA & KS	0	0	0
Sales tax	22,315	8,780	13,535
Total Cash Receipts	484,069	495,380	(11,311)
Expenditures			
Personal services	71,175	75,000	3,825
Contractual	18,825	25,000	6,175
Electricity purchased	277,618	350,000	72,382
Commodities	55,922	32,750	(23,172)
Capital outlay	2,789	5,000	2,211
Customer deposits	1,003	2,500	1,497
Sales tax	20,426	8,750	(11,676)
Transfer to General Fund	0	50,000	50,000
Total Expenditures	447,758	549,000	101,242
Receipts Over (Under) Expenditures	36,311	$ (53,620)	$ 89,931
Unencumbered Cash, January 1	74,837		
Unencumbered Cash, December 31	$ 111,148		

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

City of Enterprise
Dickinson County, Kansas

Statement 3-12

FIDUCIARY FUNDS – EXPENDABLE TRUSTS
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2009

	Landfill	Swimming Pool Endowment	TV Tower Endowment
Cash Receipts			
Fees & Donations	$ 3,633	$ 0	$ 0
Expenditures			
Fees	2,730	0	0
Receipts Over (Under) Expenditures	903	0	0
Unencumbered Cash, January 1	2	1,175	72
Unencumbered Cash, December 31	$ 905	$ 1,175	$ 72

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

City of Enterprise
Dickinson County, Kansas

Statement 3-13

COMPONENT UNITS
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2009

RECREATION COMMISSION

	Current Year Actual
Cash Receipts	
Donations and fees	$ 1,524
Appropriation from City of Enterprise	5,057
Total Cash Receipts	6,581
Expenditures	
Entertainment events	4,583
Pool equipment	3,300
Other	787
Total Expenditures	8,670
Receipts Over (Under) Expenditures	(2,089)
Unencumbered Cash, January 1	10,127
Unencumbered Cash, December 31	$ 8,038

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

City of Enterprise
Dickinson County, Kansas

Statement 3-14

COMPONENT UNITS
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2009

PUBLIC LIBRARY BOARD

	Current Year Actual
Cash Receipts	
Appropriation from City of Enterprise	$ 13,800
State aid	493
Memorials & gifts	1,415
Other	995
Interest	64
Total Cash Receipts	16,767
Expenditures	
Salaries and wages	12,573
Payroll taxes	956
Books, magazines and videos	1,164
Postage and supplies	313
Capital outlay	3,289
Miscellaneous	298
Utilities	212
Total Expenditures	18,805
Receipts Over (Under) Expenditures	(2,038)
Unencumbered Cash, January 1	12,137
Unencumbered Cash, December 31	$ 10,099

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

Note A – Summary of Significant Accounting Policies

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The more significant of the city's accounting policies are described below.

1. Reporting Entity

The City of Enterprise is a governmental entity and operates under a Mayor-Council form of Government. The City operates as a third class city. The City provides the following services: public safety (police and fire), streets, sanitation, water, sewer, electric service, recreation, public improvements, planning, zoning and general administrative services.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The basic—but not the only—criterion for including a potential component unit within the reporting entity is financial accountability. The most significant manifestation of this criterion is financial dependence. Other manifestations of the criteria include but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Using this criterion, the Recreation Commission and Public Library were identified as a part of the reporting entity of the City.

2. Discretely Presented Component Units

The component units 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. The City levies the taxes for the Recreation Commission and the Public Library. Kansas Statutes define the powers of the Recreation Commission and Library Board. The City appoints the governing body of the Recreation Commission and Public Library.

Recreation Commission - The Recreation Commission oversees the City's recreational activities. The Recreation Commission operates as a separate governing body but the city levies the taxes for the recreation commission. The Recreation Commission has only the powers granted by statute, K.S.A. 12-1928.

Public Library Board - The Library Board operates the City's public library. The City must approve the acquisition or disposition of real property or bond issues.

3. Fund Accounting

The accounts of the City are organized and operated on the basis of funds, which are used to record the City's financial transactions. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Cash and other financial resources are recorded together with all related expenditures. A fund is used to segregate specific activities and for the purpose of attaining certain objectives in accordance with special regulations, restrictions, or limitations including State Statutes and City Ordinances. The following types of funds comprise the financial activities of the City.

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

Special Revenue Funds -- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes.

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

Note A – Summary of Significant Accounting Policies (Cont)

3. Fund Accounting (Cont)

Proprietary Funds
Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City of Enterprise has three enterprise funds: electric, water, and sewer.

Fiduciary Funds
Expendable trust funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organization, other governmental units, and /or other funds. The City maintains expendable trust funds where both the principal and interest may be spent.

4. 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. 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 that the transfer is made.

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

5. Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense; liabilities such as deferred revenue and matured principal and interest payable; and reservations of the fund balance are not presented. Under generally accepted accounting principles, 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 sold and services received during the 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. Non-cash transactions including donated services, materials, and facilities have not been recognized in the financial statements. Long-term debt such as general obligation bonds, temporary notes, capital leases, no fund warrants, compensated absences, and utility customer deposits are not presented in the financial statements.

Note B – Budgetary Information

Kansas's 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:

Note B – Budgetary Information (Cont)

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held, and the governing body may amend the budget at that time. There were no such amendments this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects and fiduciary funds. Spending in funds that are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Note C – Cash and Deposits

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

K.S.A.12-1675 limits the Government'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.

State statutes place no limit on the amount the Government 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 is the risk that in the event of a bank failure, the Government's deposits may not be returned to it. State statutes require the Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipts issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not designate peak periods. The City's deposits were legally secured at December 31, 2009.

Note C – Cash and Deposits (Cont)

The City maintains a cash pool that is available for use by all funds. At year-end the carrying amount of the city's deposits, including certificates of deposit, was $217,195. The bank balance was $256,156. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, $256,156 was covered by FDIC insurance.

Note D – Property Taxes

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations based on real estate transactions recorded by the Register of Deeds and personal property transactions reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the County.

In accordance with 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. One-half of the property tax is due December 20th prior to the fiscal year for which they are budgeted, and the second half is due the following May 10th. The county treasurer collects and distributes the property taxes. In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the following year's operation.

Note E – Benefits, Compensated Absences, and Post Employment Benefits

All full time employees are eligible for the City's group health insurance program after a 30-day waiting period.

Full time employees earn four hours of sick leave for each full month of service. Sick leave may accumulate to 750 hours. Upon termination, an employee is not paid for any unused sick leave.

Vacation for full time employees is based on years of employment. Full time employees receive one week after the first year of service, two weeks after two years of service, and three weeks after five years of continuous service. Vacation time may not be accumulated past the individuals' employment date anniversary unless approval is made by the City Council. City Council may also approve payment of unused vacation time. Upon termination, an employee shall be compensated for all earned but unused vacation leave at their final rate of pay, subject to the maximum hours of accumulation authorized.

Compensated absences consist of amounts owing by the City to employees for accumulated sick and vacation leave, and are not recorded by the City or disclosed as a part of the long term debt of the City.

In accordance with state statutes, the city makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by state statutes. The premium is paid in full by the insured directly to the insurance carrier. There is no cost to the city under this program.

Note F –Compliance with Kansas Statutes

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the municipality.

Depository Security – K.S.A. 9-1402 and 9-1405
City deposits with statutorily authorized financial institutions are to be adequately secured at all times. During 2009, funds were not adequately secured at all times.

Financial Statement Publication K.S.A. 12-1608
The City of Enterprise did not publish a financial statement for the calendar year ending December 31, 2009.

Indebtedness in Excess of Fund Balance K.S.A. 10-1113
The Special Highway fund had a negative unencumbered balance at December 31, 2009, due to a highway project, as allowable by K.S.A. 12-16,111. The State of Kansas reimbursed the city $137,388 in January 2010 for its project share.

Management is not aware of any other items of noncompliance with Kansas statutes.

Note G – Defined Benefit Pension Plan

Plan description - The City of Enterprise contributes to the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined pension benefit 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 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 employer rate established for calendar year 2009 varied between 6.54% and 5.54%. The City of Enterprise contributions to KPERS for the years ending December 31, 2009, 2008, and 2007 were $11,823, $11,535, and $9,256, respectively equal to the required contributions for each year.

Note H – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. To insure against risk of these types of losses, the City has purchased commercial insurance coverage. Settled claims resulting from these risks have not exceeded coverage in the past three calendar years.

Note I – Prior Year Changes

The beginning unencumbered cash balance of the electric fund has been increased by $14,107 due to the inclusion of a prior year electric fund accounts payable reversal posted erroneously to the sewer fund.

Note J – Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to finance the acquisition and construction of major capital facilities, both for general government and proprietary activities. General obligation bonds are direct obligations and pledge the full faith and credit of the issuing entity. In 1997, the City issued bonds for a water and sewer improvement project. In 2003, the city issued bonds for a street project. Payments are made from the bond and interest fund.

Layton Lane Special Assessment Project

The City issued general obligation bonds in the amount of $119,446 in 2006 for street improvements to Layton Lane. Special assessments were authorized to be charged to the benefiting property owners for repayment of the bond. The special assessments authorized to be charged began to be assessed by Dickinson County, Kansas in November 2007 and began distributing those assessment to the City beginning in 2008. Repayment of the bonds began in 2007. Payments are made from the bond and interest fund.

Capital Leases

On September 2, 2008, the City entered into a capital lease agreement with Hays Fire Equipment for the purchase of a 1974 Ford fire truck. The lease terminates due to non-appropriation of funds and the truck is returned to the lessor. Payments were made from the special fire fund.

On July 29, 2008, the City entered into a capital lease agreement with the Dickinson County Bank for the purchase of a 2006 Ford Explorer. The lease terminates due to non-appropriation of funds and the vehicle is returned to the lessor. Four annual payments of $5,100 are due starting August 15, 2009 with a final payment of $5,057 on August 15, 2013. Payments are made from the special law fund.

No-Fund Warrants

The City experienced unforeseen expenses due to an unprecedented growth of algae and duckweed in its sewer pond No. 3. A no-fund warrant was approved by the Kansas Board of Tax Appeals for issuance in the amount of $27,811.38 to pay the costs of emptying the pond and relocating the waste. Five payments are scheduled to be paid from the bond and interest or sewer funds.

Customer Deposits

The City requires a utility deposit for new customers. The City retains the deposit for one year and then is paid back to those in good standing upon request. The City does not recognize the customer deposit liability in its financial statements.

Compensated Absences

The City does not record or recognize amounts due to employees regarding unused vacation or sick leave.

City of Enterprise
Dickinson County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE K - LONG TERM DEBT (CONT)

Changes in long term liabilities for the City for the year ended December 31, 2009 are as follows:

	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Payable January 1	Additions	Reductions/ Payments	Net Change	Balance Payable December 31	Interest Paid
General Obligation Bonds:										
Water/Sewer - Series - 1996	4.6-5.65%	9/1/1997	290,000	9/1/2011	$ 75,000	$ 0	$ 25,000		$ 50,000	$ 4,200
Street Series 2003	4.25%	4/2/2003	32,000	9/1/2013	18,000	0	3,000		15,000	855
Layton Lane	4.75-6.7%	9/1/2006	119,446	9/1/2026	109,446	0	5,000		104,446	5,979
Capital Leases:										
2006 Ford Explorer	6.76%	7/29/2008	20,960	8/15/2013	$ 20,960	$ 0	$ 3,621		17,339	$ 1,479
Fire Truck	0.00%	9/2/2008	15,000	4/1/2009	7,500	0	7,500		0	0
No Fund Warrant	5.50%	12/25/2005	27,811	1/31/2011	16,682	0	5,564	0	11,118	918
Total long term debt					$ 247,588	$ 0	$ 49,685	$ 0	$ 197,903	$ 13,431

NOTE K - LONG TERM DEBT (CONT)

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

	2010	2011	2012	2013	2014	2015-2019	2020-2024	2025-2029	Total
Principal									
Water/Sewer - Series - 1996	$ 25,000	$ 25,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 50,000
Street Series 2003	3,000	4,000	4,000	4,000	0	0	0	0	15,000
Layton Lane	5,000	5,000	5,000	5,000	5,000	31,000	35,000	13,446	104,446
Capital lease	3,930	4,195	4,477	4,737	0	0	0	0	17,339
No-Fund Warrant	5,564	5,554	0	0	0	0	0	0	11,118
Total Principal	42,494	43,749	13,477	13,737	5,000	31,000	35,000	13,446	197,903
Interest									
Water/Sewer - Series - 1996	2,813	1,412	0	0	0	0	0	0	4,225
Street Series 2003	713	570	380	190	0	0	0	0	1,853
Layton Lane	5,645	5,309	4,973	4,639	4,303	16,501	8,181	945	50,496
Capital lease	1,170	905	623	319	0	0	0	0	3,017
No-Fund Warrant	611	305	0	0	0	0	0	0	916
Total Interest	10,952	8,501	5,976	5,148	4,303	16,501	8,181	945	60,507
Total Principal and Interest	$ 53,446	$ 52,250	$ 19,453	$ 18,885	$ 9,303	$ 47,501	$ 43,181	$ 14,391	$ 258,410