



City of Goessel, Kansas

Annual Financial Report

2009

**City of Goessel, Kansas
Annual Financial Report
For the Fiscal Year Ended
December 31, 2009**

Mayor:

Peggy Jay

City Council:

Duane Duerksen
Dallas Boese
Larry Lindeman
Larry Schmidt
James Wiens

City Officers:

City Clerk - Anita Goertzen
City Treasurer - Donna Cook
Police Chief - Joe Base
City Attorney - J. Robert Brookens
Municipal Judge - Bryson Mills

The Annual Financial Report was prepared by Anita Goertzen, City Clerk.

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**City of Goessel, Kansas
Annual Financial Report
For the Fiscal Year Ended
December 31, 2009**

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Certified Public Accountants

B. Carver Swindoll, CPA
Keith S. Janzen, CPA
Kyle J. Hawk, CPA
D. Scot Loyd, CGFM, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Goessel, Kansas 67053

We have audited the accompanying financial statements of the City of Goessel, 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's 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 *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As described more fully in Note 1, the City has prepared these financial statements in conformity with 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 variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the omission of the financial data of the component unit of the City and because of the City's policy to prepare its financial statements on the statutory basis of accounting, as 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 as of December 31, 2009, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City, as of December 31, 2009, and its cash receipts and expenditures or disbursements, and budgetary comparisons for the year then ended, on the basis of accounting described in Note 1.

Certified Public Accountants

Swindoll, Janzen, Hawk & Loyd, LLC

June 4, 2010

City of Goessel
Statement 1 - Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended 12/31/2009

	Beginning Unencumbered Cash	Prior Year Cancelled Encumbrances	Cash Receipts	Actual Expenditures	Ending Unencumbered Cash	Outstanding Encumbrances	Ending Cash
General Fund	\$ 122,010.09	\$ 0	\$ 203,066.81	\$ 197,112.80	\$ 127,964.10	\$ 4,672.76	\$ 132,636.86
Special Revenue Funds							
Equipment Reserve Fund	22,759.56	0	10,000.00	10,680.59	22,078.97	0	22,078.97
Library Fund	714.17	0	22,280.92	22,280.92	714.17	0	714.17
Special Highway Fund	2,745.18	0	12,960.41	7,857.78	7,847.81	144.70	7,992.51
KDWP Grant Fund	0	0	20,200.00	20,200.00	0	0	0
Capital Projects Funds							
Capital Improvement Fund	34,253.38	0	8,000.00	5,061.74	37,191.64	551.34	37,742.98
Economic Dev Task Force	1,103.59	0	1,446.00	0	2,549.59	0	2,549.59
Harvest Project Fund	24,687.09	0	0	1,000.00	23,687.09	0	23,687.09
Enterprise Funds							
Water Utility Fund	111,702.49	0	84,086.99	112,103.75	83,685.73	1,762.96	85,448.69
Sewer Utility Fund	61,628.38	0	80,510.95	73,016.10	69,123.23	1,350.75	70,473.98
Trash Fund	8,021.01	0	23,638.30	25,300.34	6,358.97	1,823.50	8,182.47
Agency Funds							
Payroll Clearing Fund	172.22	0	114,798.35	114,807.30	163.27	101.46	264.73
Total	\$ 389,797.16	\$ 0	\$ 580,988.73	\$ 589,421.32	\$ 381,364.57	\$10,407.47	\$391,772.04

Composition of Cash:	
Investments	\$ 262,267.44
Checking Accounts	3,754.57
Savings Accounts	125,650.03
Other Accounts	100.00
Total	\$ 391,772.04

The Notes to Financial Statements are an integral part of this statement.

City of Goessel
Statement 2 - Summary of Expenditures (Actual and Budget)
For the Year Ended 12/31/2009

	Certified Budget	Actual Expenditures	Variance Favorable (Unfavorable)
General Fund	\$ 293,494.00	\$ 197,112.80	\$ 96,381.20
Special Revenue Funds			
Equipment Reserve Fund	18,309.00	10,680.59	7,628.41
Library Fund	23,300.00	22,280.92	1,019.08
Special Highway Fund	17,790.00	7,857.78	9,932.22
Enterprise Funds			
Water Utility Fund	172,630.00	112,103.75	60,526.25
Sewer Utility Fund	125,063.00	73,016.10	52,046.90
Trash Fund	25,566.00	25,300.34	265.66

The Notes to Financial Statements are an integral part of this statement.

**City of Goessel
General Fund**

**Statement 3 - Statement of Cash Receipts and Expenditures (Actual and Budget)
for the Year-to-Date as of: 12/31/2009**

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
Cash Receipts			
Charges for Services	\$ 0	\$ 3,122.83	\$ 3,122.83
Ad Valorem Taxes	86,820.00	85,055.90	(1,764.10)
Motor Vehicle Taxes	15,333.00	15,829.51	496.51
Rec Vehicle Taxes	273.00	315.68	42.68
M & E Reimb C/I	0	404.50	404.50
Slider tax	2,351.00	1,597.91	(753.09)
16/20M Vehicle Taxes	42.00	32.01	(9.99)
Delinquent Taxes	0	1,057.17	1,057.17
Intangibles Tax	3,728.00	5,098.22	1,370.22
Sales Tax	25,000.00	29,420.75	4,420.75
Franchise Fees	22,000.00	24,704.27	2,704.27
Licenses and Permits	0	1,035.18	1,035.18
Federal Grants	0	3,054.67	3,054.67
Court Fees	1,000.00	449.00	(551.00)
Fines and Forfeitures	1,000.00	936.56	(63.44)
Interest Income	15,000.00	6,757.81	(8,242.19)
Gifts and Donations	0	750.00	750.00
Reimbursed Expenses	1,000.00	1,807.41	807.41
Insurance Reimbursements	0	21,271.93	21,271.93
Miscellaneous	2,491.00	365.50	(2,125.50)
Total Cash Receipts	176,038.00	203,066.81	27,028.81
Expenditures			
General Government			
Personal Services	40,500.00	45,489.31	(4,989.31)
Contractual Services	44,000.00	40,576.44	3,423.56
Audit fees	6,000.00	5,950.00	50.00
Materials and Supplies	10,000.00	13,680.97	(3,680.97)
Capital Outlay	91,402.00	9,085.16	82,316.84
Lease-Purchase Payments	8,720.00	8,719.68	.32
Other/Misc.	800.00	749.38	50.62
Taxes remitted	0	449.55	(449.55)
	201,422.00	124,700.49	76,721.51
Municipal Court			
Contractual Services	1,400.00	3,170.58	(1,770.58)
Materials and Supplies	500.00	0	500.00
	1,900.00	3,170.58	(1,270.58)
Police			
Personal Services	36,100.00	28,204.72	7,895.28
Contractual Services	1,000.00	883.61	116.39
Materials and Supplies	2,000.00	5,490.72	(3,490.72)
Capital Outlay	5,000.00	1,635.04	3,364.96
	44,100.00	36,214.09	7,885.91
Streets			
Personal Services	1,500.00	645.90	854.10
Contractual Services	0	1,035.00	(1,035.00)
Materials and Supplies	10,000.00	408.85	9,591.15
	11,500.00	2,089.75	9,410.25
Street Lights			
Contractual Services	6,500.00	6,794.03	(294.03)
	6,500.00	6,794.03	(294.03)

**City of Goessel
General Fund**

**Statement 3 - Statement of Cash Receipts and Expenditures (Actual and Budget)
for the Year-to-Date as of: 12/31/2009**

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
Parks and Recreation			
Personal Services	1,000.00	645.90	354.10
Contractual Services	1,500.00	911.51	588.49
Materials and Supplies	3,500.00	514.80	2,985.20
Lease-Purchase Payments	4,072.00	4,071.65	.35
	<u>10,072.00</u>	<u>6,143.86</u>	<u>3,928.14</u>
Transfers Out			
Transfer to Cap Imp Res	8,000.00	8,000.00	0
Transfer to Cap Eq Res	10,000.00	10,000.00	0
	<u>18,000.00</u>	<u>18,000.00</u>	<u>0</u>
Total Expenditures	<u>293,494.00</u>	<u>197,112.80</u>	<u>96,381.20</u>
Receipts Over (Under) Expenditures		5,954.01	
Beginning Unencumbered Cash		122,010.09	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		<u>----- \$ 127,964.10</u>	

The Notes to Financial Statements are an integral part of this statement.

City of Goessel
Equipment Reserve Fund
Statement 3 - Statement of Cash Receipts and Expenditures (Actual and Budget)
for the Year-to-Date as of: 12/31/2009

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
<u>Cash Receipts</u>			
Transfer From Gen Fund	\$ 10,000.00	\$ 10,000.00	\$ 0
Total Cash Receipts	<u>10,000.00</u>	<u>10,000.00</u>	<u>0</u>
<u>Expenditures</u>			
<u>Equipment Reserve</u>			
Capital Outlay	18,309.00	10,680.59	7,628.41
Total Expenditures	<u>18,309.00</u>	<u>10,680.59</u>	<u>7,628.41</u>
Receipts Over (Under) Expenditures		(680.59)	
Beginning Unencumbered Cash		22,759.56	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		----- <u>\$ 22,078.97</u>	

The Notes to Financial Statements are an integral part of this statement.

City of Goessel
Library Fund

Statement 3 - Statement of Cash Receipts and Expenditures (Actual and Budget)
for the Year-to-Date as of: 12/31/2009

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
<u>Cash Receipts</u>			
Ad Valorem Taxes	\$ 19,024.00	\$ 18,636.80	\$ (387.20)
Motor Vehicle Taxes	3,256.00	3,352.50	96.50
Rec Vehicle Taxes	58.00	66.62	8.62
Slider tax	499.00	0	(499.00)
16/20M Vehicle Taxes	9.00	6.70	(2.30)
Delinquent Taxes	0	218.30	218.30
Total Cash Receipts	<u>22,846.00</u>	<u>22,280.92</u>	<u>(565.08)</u>
<u>Expenditures</u>			
Library			
Library Appropriation	23,300.00	22,280.92	1,019.08
Total Expenditures	<u>23,300.00</u>	<u>22,280.92</u>	<u>1,019.08</u>
Receipts Over (Under) Expenditures		0	
Beginning Unencumbered Cash		714.17	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		----- <u>\$ 714.17</u>	

The Notes to Financial Statements are an integral part of this statement.

City of Goessel
Special Highway Fund
Statement 3 - Statement of Cash Receipts and Expenditures (Actual and Budget)
for the Year-to-Date as of: 12/31/2009

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
<u>Cash Receipts</u>			
State Motor Fuels Tax	\$ 15,990.00	\$ 12,960.41	\$ (3,029.59)
Total Cash Receipts	<u>15,990.00</u>	<u>12,960.41</u>	<u>(3,029.59)</u>
<u>Expenditures</u>			
Streets			
Materials and Supplies	17,790.00	7,857.78	9,932.22
Total Expenditures	<u>17,790.00</u>	<u>7,857.78</u>	<u>9,932.22</u>
Receipts Over (Under) Expenditures		5,102.63	
Beginning Unencumbered Cash		2,745.18	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		----- <u>\$ 7,847.81</u>	

The Notes to Financial Statements are an integral part of this statement.

City of Goessel
KDWP Grant Fund
Statement 3 - Statement of Cash Receipts and Expenditures
for the Year-to-Date as of: 12/31/2009

	Actual
Cash Receipts	
Federal Grants	\$ 19,550.00
Gifts and Donations	650.00
Total Cash Receipts	20,200.00
Expenditures	
General Government	
Capital Outlay	20,200.00
Total Expenditures	20,200.00
Receipts Over (Under) Expenditures	0
Beginning Unencumbered Cash	0
Prior Year Cancelled Encumbrances	0
Ending Unencumbered Cash	\$ 0

The Notes to Financial Statements are an integral part of this statement.

City of Goessel
Capital Improvement Fund
Statement 3 - Statement of Cash Receipts and Expenditures
for the Year-to-Date as of: 12/31/2009

	Actual
Cash Receipts	
Transfer From Gen Fund	\$ 8,000.00
Total Cash Receipts	8,000.00
Expenditures	
Capital Improvements	
Capital Outlay	5,061.74
Total Expenditures	5,061.74
Receipts Over (Under) Expenditures	2,938.26
Beginning Unencumbered Cash	34,253.38
Prior Year Cancelled Encumbrances	0
Ending Unencumbered Cash	\$ 37,191.64

The Notes to Financial Statements are an integral part of this statement.

City of Goessel
Economic Dev Task Force
Statement 3 - Statement of Cash Receipts and Expenditures
for the Year-to-Date as of: 12/31/2009

	Actual
Cash Receipts	
Gifts and Donations	\$ 1,446.00
Total Cash Receipts	1,446.00
Expenditures	
Department Code - None	
Expenditure Code - None	0
Total Expenditures	0
Receipts Over (Under) Expenditures	1,446.00
Beginning Unencumbered Cash	1,103.59
Prior Year Cancelled Encumbrances	0
Ending Unencumbered Cash	\$ 2,549.59

The Notes to Financial Statements are an integral part of this statement.

City of Goessel
Harvest Project Fund
Statement 3 - Statement of Cash Receipts and Expenditures
for the Year-to-Date as of: 12/31/2009

	Actual
Cash Receipts	
None	\$ 0
Total Cash Receipts	0
Expenditures	
Capital Improvements	
Other/Misc.	1,000.00
Total Expenditures	1,000.00
Receipts Over (Under) Expenditures	(1,000.00)
Beginning Unencumbered Cash	24,687.09
Prior Year Cancelled Encumbrances	0
Ending Unencumbered Cash	\$ 23,687.09

The Notes to Financial Statements are an integral part of this statement.

City of Goessel
Water Utility Fund
Statement 3 - Statement of Cash Receipts and Expenditures (Actual and Budget)
for the Year-to-Date as of: 12/31/2009

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
Cash Receipts			
Special Assessments	\$ 0	\$ 7,796.60	\$ 7,796.60
Water Charges	45,000.00	48,944.36	3,944.36
Water Debt Fee	24,400.00	24,577.09	177.09
Utility Connection Fee	700.00	868.77	168.77
Utility Fees	687.00	0	(687.00)
Utility Sales Tax	162.00	143.36	(18.64)
Late Charges	1,660.00	1,756.81	96.81
Total Cash Receipts	72,609.00	84,086.99	11,477.99
Expenditures			
Water Utility			
Personal Services	35,000.00	32,460.39	2,539.61
Contractual Services	10,000.00	8,511.99	1,488.01
Materials and Supplies	7,000.00	3,011.08	3,988.92
Capital Outlay	77,932.00	25,582.91	52,349.09
	129,932.00	69,566.37	60,365.63
Debt Service			
Bond Principal	7,500.00	7,500.00	0
Bond interest	7,868.00	7,867.50	.50
RWD Project	1,416.00	1,415.76	.24
Revolving loan interest	11,388.00	11,388.25	(.25)
Revolving loan Principal	13,876.00	13,876.15	(.15)
	42,048.00	42,047.66	.34
Non-operating			
Other/Misc.	300.00	0	300.00
Taxes remitted	350.00	489.72	(139.72)
	650.00	489.72	160.28
Total Expenditures	172,630.00	112,103.75	60,526.25
Receipts Over (Under) Expenditures		(28,016.76)	
Beginning Unencumbered Cash		111,702.49	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		<u>\$ 83,685.73</u>	

The Notes to Financial Statements are an integral part of this statement.

City of Goessel
Sewer Utility Fund
Statement 3 - Statement of Cash Receipts and Expenditures (Actual and Budget)
for the Year-to-Date as of: 12/31/2009

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
<u>Cash Receipts</u>			
Special Assessments	\$ 0	\$ 7,796.60	\$ 7,796.60
Licenses and Permits	500.00	400.00	(100.00)
Sewer Debt Fee	25,800.00	25,281.00	(519.00)
Sewer Main. Fees	4,274.00	4,517.14	243.14
Utility Fees	4,233.00	0	(4,233.00)
Sewer Service Fees	40,000.00	42,516.21	2,516.21
Total Cash Receipts	<u>74,807.00</u>	<u>80,510.95</u>	<u>5,703.95</u>
<u>Expenditures</u>			
Sewer Utility			
Personal Services	35,000.00	32,798.36	2,201.64
Contractual Services	20,000.00	11,398.06	8,601.94
Materials and Supplies	1,000.00	568.22	431.78
Capital Outlay	41,011.00	200.00	40,811.00
	<u>97,011.00</u>	<u>44,964.64</u>	<u>52,046.36</u>
Debt Service			
Bond Principal	7,500.00	7,500.00	0
Bond interest	7,868.00	7,867.50	.50
Revolving loan interest	4,792.00	4,792.23	(.23)
Revolving loan Principal	7,892.00	7,891.73	.27
	<u>28,052.00</u>	<u>28,051.46</u>	<u>.54</u>
Total Expenditures	<u>125,063.00</u>	<u>73,016.10</u>	<u>52,046.90</u>
Receipts Over (Under) Expenditures		7,494.85	
Beginning Unencumbered Cash		61,628.38	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		<u>-----</u> <u>\$ 69,123.23</u>	

The Notes to Financial Statements are an integral part of this statement.

City of Goessel
Trash Fund

Statement 3 - Statement of Cash Receipts and Expenditures (Actual and Budget)
for the Year-to-Date as of: 12/31/2009

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
Cash Receipts			
Trash Service Fees	\$ 21,000.00	\$ 23,538.30	\$ 2,538.30
Reimbursed Expenses	0	100.00	100.00
Total Cash Receipts	21,000.00	23,638.30	2,638.30
Expenditures			
Trash Utility			
Contractual Services	18,000.00	25,300.34	(7,300.34)
Capital Outlay	7,566.00	0	7,566.00
Total Expenditures	25,566.00	25,300.34	265.66
Receipts Over (Under) Expenditures		(1,662.04)	
Beginning Unencumbered Cash		8,021.01	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		\$ 6,358.97	

The Notes to Financial Statements are an integral part of this statement.

City of Goessel
Payroll Clearing Fund
Statement 3 - Statement of Cash Receipts and Expenditures
for the Year-to-Date as of: 12/31/2009

	Actual
Cash Receipts	
Transfer From Other Fund	\$ 114,798.35
Total Cash Receipts	114,798.35
Expenditures	
Payroll Costs	
Personal Services	114,807.30
Total Expenditures	114,807.30
Receipts Over (Under) Expenditures	(8.95)
Beginning Unencumbered Cash	172.22
Prior Year Cancelled Encumbrances	0
Ending Unencumbered Cash	\$ 163.27

The Notes to Financial Statements are an integral part of this statement.

City of Goessel
Goessel, Kansas
Notes to Financial Statements
December 31, 2009

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of the City is presented to assist in understanding the City's financial statements. The financial statements and notes are representations of the City's management, who is responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Reporting Entity

The City is a municipal corporation governed by an elected five-member council. The accompanying financial statements present the City (the primary government), but omit its component units, entities for which the city is considered to be financially accountable.

The City's component unit is discussed separately below. The governing body of the component unit is appointed by the City. The component unit has not been audited and is not included in the accompanying financial statements.

The City's component unit:

- Library Board. The City's Library Board operates the city's public library. Acquisition or disposition of real property by the board must be approved by the city. Bond issuances must also be approved by the city.

Financial Statement Presentation

The financial activities of the City are recorded and presented on the basis of funds. A fund is an independent accounting entity used to segregate financial transactions for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are used by the City:

- Governmental Funds

General Fund - to account for all financial 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 for major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds - to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

- Proprietary Funds

Enterprise Funds - to report any activity for which a fee is charged to external users for goods or services.

- **Fiduciary Funds**

Agency Funds - to account for situations where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Basis of Accounting

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

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

Statutory Basis Financial Statements

Statutory basis financial statements consist of the following:

- Statement 1 - Summary of Cash Receipts, Expenditures and Unencumbered Cash. This is a fund summary statement containing all funds, and showing, for each fund, beginning unencumbered cash, prior year cancelled encumbrances, cash receipts, expenditures, ending unencumbered cash, outstanding encumbrances and ending cash. This statement also reconciles total ending cash in funds to total composition of cash. The composition of cash is summarized by investments, typically certificates of deposit, bank accounts, and other accounts such as a petty cash fund. This statement demonstrates the city's compliance with the cash basis laws of the State of Kansas.
- Statement 2 - Summary of Expenditures (Actual and Budget). This is a fund summary statement containing only budgeted funds, and showing the variance between actual expenditures and budgeted expenditures. This statement demonstrates the city's compliance with the budget laws of the State of Kansas.
- Statement 3 - Statement of Cash Receipts and Expenditures. Statement 3 is actually a series of statements, one for each fund shown on Statement 1. Each individual fund statement in Statement 3 mirrors the same fund in Statement 1, but shows detailed cash receipts and expenditures.

Departure 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, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as

receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures (as defined under generally accepted accounting principles) or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

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

- Preparation of the budget for the succeeding calendar year on or before August 1st.
- Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- Public hearing on or before August 15th, but at least ten days after publication of the notice of hearing.
- 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 statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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

A legal annual operating budget is not required for the following:

Capital Improvement Fund (Capital Project Fund)
Equipment Reserve Fund (Special Revenue Fund)

KDWP Grant Fund (Special Revenue Fund)
Economic Dev. Task Force (Capital Project Fund)
Harvest Project Fund (Capital Project Fund)
Payroll Clearing Fund (Agency Fund)

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

Special Assessments

Special assessments are used to pay general obligation bonds of the City and are retired from the Water Utility Fund and the Sewer Utility Fund. Special assessments paid prior to the issuance of the bonds are recorded as cash receipts in the appropriate project account. Special assessments received after the issuance of bonds are recorded as cash receipts equally divided between the Water Utility Fund and the Sewer Utility Fund.

Reimbursements

The City records reimbursable expenditures as a cash receipt in the fund that was charged for the original expenditure. For purposes of budgetary comparison, the amount of the reimbursement is considered to be a budget credit.

Capital Leases

Leases that, from the point of view of the City (the lessee), transfer substantially all the benefits and risks incident to ownership of property to the City, are to be considered capital leases. These are treated as an asset of the City and any related obligations are accounted for as a form of debt.

2. 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 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, except during designated

"peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2009.

At December 31, 2009, the City's carrying amount of deposits was \$391,672 and the bank balance was \$392,435. The bank balance was held by the bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by the federal depository insurance; \$142,435 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

3. Long-Term Debt

The City has the following long-term debt:

- **KPWSF Loan.** This loan originated in 2001. The original principal amount was \$340,902. The interest rate is 4.25 percent. The final payment on the loan will be made in 2023. The purpose of this Kansas Public Water Supply Fund Revolving Loan was to construct a water tower.
- **KWPCRF Loan.** This loan originated in 2004. The original principal amount was \$206,316. The interest rate is 2.77 percent. The final payment on the loan will be made in 2025. The purpose of this Kansas Water Pollution Control Revolving Fund Loan was to add an additional cell to the existing lagoons.
- **GO Bond Series 2007.** These General Obligation bonds were issued in 2007. The original amount of the issue was \$390,000. The interest rate is 3.6 to 4.50 percent. The final payment on the bonds will be in 2027. The purpose of the General Obligation Bonds was to provide sewer, water and street improvements for Phase 1 of the Harvest Meadow Addition.

Changes in Long-Term Debt for the year ended December 31, 2009

Issue	Beginning Unpaid Principal	Additions to Principal	Reductions to Principal	Ending Unpaid Principal	Interest Paid
KPWSF Loan	271,391	0	13,877	257,514	11,388
KWPCRF Loan	174,963	0	7,891	167,072	4,792
GO Bond Series 2007	390,000	0	15,000	375,000	15,735
Total Long-Term Debt	836,354	0	36,768	799,586	31,915

Long-Term Debt Maturity Schedule

	Year						Total
	2010	2011	2012	2013	2014	2015 and After	
Principal:							
KPWSF Loan	14,472	15,094	15,742	16,418	17,123	178,665	257,514
KWPCRF Loan	8,112	8,338	8,571	8,810	9,055	124,186	167,072
GO Bond Series 2007	15,000	15,000	15,000	15,000	15,000	300,000	375,000
Total Principal	37,584	38,432	39,313	40,228	41,178	602,851	799,586
Interest:							
KPWSF Loan	10,792	10,171	9,522	8,846	8,141	36,082	83,554
KWPCRF Loan	4,572	4,346	4,113	3,874	3,629	21,679	42,213
GO Bond Series 2007	15,191	14,640	14,081	13,515	12,938	91,593	161,958
Total Interest	30,555	29,157	27,716	26,235	24,708	149,354	287,725
Total Principal & Interest	68,139	67,589	67,029	66,463	65,886	752,205	1,087,311

4. Stewardship, Compliance and Accountability

Management is aware of no statutory violations for the year ended Dec. 31, 2009.

5. Capital Leases

The City made payments on two active capital leases during the year - Civic Center and Playground Equipment.

Civic Center. The City entered into a capital lease agreement dated Dec. 1, 1998 with The Citizens State Bank, to build a Civic Center. The City agreed to make monthly payments of \$726 each for a total of \$116,886. The imputed interest rate is 6.00 percent. The first monthly payment was made on June 1, 2001 and the last payment will be made on November 1, 2014. The lease payments for this capital lease will be made entirely from the General Fund (General Administration).

Playground Equipment. The City entered into a capital lease agreement dated August 19, 2005 with The Citizens State Bank, to purchase a One Adventure Series Playground unit complete with plastic timber boarder and 85 cubic yards of wood chips. The City agreed to make five annual payments of \$4,072 each for a total of \$20,360. The imputed interest rate is 4.65 percent. The first annual payment was made on August 19, 2006 and the last payment will be made on August 19, 2010. The lease payments for this capital lease will be made entirely from the General Fund (Parks/Recreation).

6. Defined Benefit Pension Plan

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

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate of 4% of covered salary. The City (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 by statute for calendar year 2009 was 5.54% plus the Death and Disability rate of 1.0%. There was a moratorium on KPERS Death and Disability premiums from March 1, 2009 to November 30, 2009. The City's contributions to KPERS for the years ending December 31, 2009, 2008, and 2007 were \$5,744, \$4,101, and \$2,762 respectively, equal to the statutory required contributions for each year.

7. Compensated Absences

Annual Leave. All full-time officers and employees of the City shall be entitled to vacation leave as follows:

- Beginning with the completion of the 1st full year of employment, including the probation period, through the 2nd full year of employment, one week (5 working days) will be earned for vacation.
- For 3-9 full calendar years of employment, but less than ten calendar years of employment, two weeks (10 working days) will be earned for vacation.
- For 10-19 full calendar years of employment, but less than twenty calendar years of employment, three weeks (15 working days) will be earned for vacation.
- After 20 calendar years of employment, four weeks (20 working days) will be earned for vacation

Part-time employees scheduled to work 20 hours or more per week shall be entitled to vacation leave as follows:

- Beginning with the completion of the 1st full year of employment, including the probation period, through the 2nd full year of employment, twenty hours will be earned for vacation.
- For 3-9 full calendar years of employment, but less than ten calendar years of employment, thirty hours will be earned for vacation.
- For 10-19 full calendar years of employment, but less than twenty calendar years of employment, forty hours will be earned for vacation.
- After 20 calendar years of employment, fifty hours will be earned for vacation

Annual leave shall be paid at the employee's regular salary rate during each annual leave period. The annual leave period herein granted shall not accumulate from year to year, all vacation earned will be taken from January 1 through December 31 following the year it was earned. All requests for annual leave shall be scheduled in consultation with the Mayor and between the departments and employees that will be affected.

Sick Leave. All full-time officers and employees of the City shall be entitled to one (1) day of sick leave for each month of service and shall be paid at the employee's regular rate during any such leave period, except that the term "sick leave" as herein used may include necessary absence from duty caused by injury sustained on the job, but does not include absence from work after the employee becomes eligible for worker's compensation disability benefits. The sick leave provisions herein granted shall be accumulated from year to year, but no officer or employee shall be credited with more than twenty-four (24) days of accumulated sick leave. Part-time employees who work at least 80 hours or more per month on a regular basis earn sick leave at a rate of four hours for each month of employment after three years of employment. The maximum accumulation for part-time employees is sixteen (16) hours. Accrued sick leave credits are cancelled without compensation upon either the voluntary or involuntary termination of employment.

Nonpayment at Termination. An employee shall not be paid for any accrued and unused sick leave upon termination of employment with the City.

8. Other Postemployment 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 under this program. There is no cost to the government under this program. The premium is paid in full by the insured.

9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

10. Litigation

The City is not a party to any legal proceedings at this time.

11. Interfund Transfers

The City made the following operating transfers during the year:

- **\$10,000** transferred **from** General Fund **to** Equipment Reserve Fund as authorized by K.S.A. 12-1,117.
- **\$8,000** transferred **from** General Fund **to** Capital Improvement Fund as authorized by K.S.A. 12-1,118.

12. Related Party Transactions

The City does all of its banking at the local bank in which the Mayor is an officer. At December 31, 2009 the City had on deposit at this bank \$392,435. This is the only bank in the City.

13. Subsequent Events

- The Council approved a bid for \$5,175 from Kaufman Trenching & Excavating on April 1, 2010, to install a water main from B Road to Main Street along A Road. This will be paid out of the Water Fund.