

**CITY OF LENORA, KANSAS**  
Lenora, Kansas  
Independent Audit Report  
January 1, 2009 to December 31, 2009

MAPES & MILLER  
Certified Public Accountants  
Norton, Kansas

**CITY OF LENORA, KANSAS**  
Financial Statements  
January 1, 2009 to December 31, 2009

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# MAPES & MILLER

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A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

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## INDEPENDENT AUDITOR'S REPORT

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Honorable Mayor and City Council  
City of Lenora, Kansas  
Lenora, Kansas 67645

We have audited the accompanying financial statements of the City of Lenora, Kansas, as of and for the year ended December 31, 2009, which collectively comprise the basic financial statements of the City's primary government, as listed in the table of contents. These financial statements are the responsibility of the City'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 guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As described more fully in Note 1, the City has prepared these financial statements in conformity with 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, is presumed to be material.

In our opinion, because of the omission of the component units, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2009, or 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 primary government of the City of Lenora, 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 1.

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

# Mapes & Miller

Certified Public Accountants

Norton, Kansas  
September 20, 2010

CITY OF LENORA, KANSAS

STATEMENT 1

Summary of Cash Receipts, Expenditures and Unencumbered Cash

Page 1

For the Year Ended December 31, 2009

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Types:							
General	\$ 53,569	0	130,816	129,160	55,225	4,375	59,600
Special Revenue Funds:							
Cemetery	699	0	7,947	8,337	309	0	309
Library	499	0	4,845	5,018	326	0	326
Employee Benefits	8,683	0	28,749	27,704	9,728	300	10,028
Special Street and Highway	23,651	0	30,239	8,756	45,134	559	45,693
Special Parks & Recreation	6,369	0	50	100	6,319	0	6,319
Fire	8,929	0	10,827	9,484	10,272	34	10,306
Capital Improvements	76,749	0	5,000	0	81,749	0	81,749
Special Equipment	51,078	0	9,833	8,216	52,695	0	52,695
Special Fire Equipment	5,651	0	0	0	5,651	0	5,651
Hansen Foundation Grant	27,170	0	0	5,000	22,170	0	22,170
Proprietary Fund Types:							
Enterprise Funds:							
Water Revenue	0	0	51,401	51,401	0	993	993
Water Surplus	194,087	0	0	0	194,087	0	194,087
Water System Debt Service	17,313	0	21,277	21,699	16,891	0	16,891
Sewer	10,545	0	18,434	17,831	11,148	142	11,290
Solid Waste	46,974	0	30,136	27,174	49,936	1,202	51,138
Customer Deposits	0	0	400	400	0	450	450
Total Primary Government (Excluding Agency Funds)	\$ <u>531,966</u>	<u>0</u>	<u>349,954</u>	<u>320,280</u>	<u>561,640</u>	<u>8,055</u>	<u>569,695</u>

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

**CITY OF LENORA, KANSAS**  
Composition of Cash  
For the Year Ended December 31, 2009

STATEMENT 1  
Page 2

Cash on Hand	\$ 50
First Security Bank and Trust Company	
Norton, Kansas - Lenora, Kansas Banch	
NOW Account	226,489
Certificates of Deposit	<u>345,000</u>
Total Cash and Investments	571,539
Less Agency Funds - Statement 4	<u>1,844</u>
Total Reporting Entity per Statement 1, Page 1	\$ <u>569,695</u>

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

CITY OF LENORA, KANSAS

STATEMENT 2

Summary of Expenditures - Actual and Budget  
For the Year Ended December 31, 2009

Description	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year Budget	Variance Over (Under)
General	\$ 186,344	41	186,385	129,160	(57,225)
Special Revenue:					
Cemetery	8,590	0	8,590	8,337	(253)
Library	5,018	0	5,018	5,018	0
Employee Benefits	31,091	0	31,091	27,704	(3,387)
Special Street and Highway	48,220	0	48,220	8,756	(39,464)
Special Parks and Recreation	4,517	0	4,517	100	(4,417)
Fire	13,252	0	13,252	9,484	(3,768)
Enterprise:					
Water Revenue	66,479	0	66,479	51,401	(15,078)
Sewer	20,278	0	20,278	17,831	(2,447)
Solid Waste	35,538	205	35,743	27,174	(8,569)

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

**CITY OF LENORA, KANSAS**  
**GENERAL FUND**

STATEMENT 3

Page 1

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

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Taxes			
Ad Valorem Property	\$ 68,180	68,982	(802)
Delinquent	568	16	552
Motor Vehicle	10,474	9,098	1,376
16/20M Vehicle	438	0	438
Recreational Vehicle	381	215	166
Intangibles	2,120	0	2,120
Slider	667	0	667
Intergovernmental			
Countywide Sales Tax	23,296	24,000	(704)
Local Alcoholic Liquor	0	350	(350)
Fees and Charges			
Beer and Liquor Licenses	38	250	(212)
Building Permits	35	50	(15)
Dog Tags	275	200	75
Late Charge on Utility Fees	1,376	1,500	(124)
Utility Franchise Fees	5,649	6,500	(851)
Interest on Idle Funds	8,483	11,000	(2,517)
Other			
Capital Credits	265	300	(35)
Community Center Room Rent	975	1,000	(25)
Farm Income	1,254	1,500	(246)
Insurance Dividend	1,392	400	992
Land Lease	300	300	0
Miscellaneous	141	1,000	(859)
Mowing	2,343	1,500	843
Spraying Mosquito	225	0	225
Economic Development Grant	1,900	0	1,900
Reimbursed Expenses			
Other Reimbursed Expenses	41	0	41
Total Cash Receipts	130,816	128,161	2,655

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

CITY OF LENORA, KANSAS

STATEMENT 3

GENERAL FUND

Page 2

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Expenditures:			
Administrative	\$ 0	18,800	(18,800)
Animal Control	263	200	63
Backhoe Upkeep	5,027	0	5,027
Capital Outlay	3,338	47,049	(43,711)
Chemicals	1,852	1,000	852
Community Building	302	0	302
Continuing Education & Travel	0	100	(100)
Donations	1,500	0	1,500
Dues	1,398	400	998
Election	321	750	(429)
Electricity	3,108	2,700	408
Farm Expense	456	650	(194)
Fuel and Oil	3,743	8,000	(4,257)
Heating	6,260	4,200	2,060
Insurance	10,367	12,000	(1,633)
Lease Payments	303	0	303
Legal and Professional Fees	5,063	5,000	63
Miscellaneous	3,047	1,700	1,347
Office Equipment	1,213	0	1,213
Office Supplies	2,291	1,500	791
Park Repairs	3,460	2,000	1,460
Permits and Licenses	100	75	25
Postage	854	500	354
Publications	183	420	(237)
Repairs	2,927	12,500	(9,573)
Salaries and Wages	49,609	45,000	4,609
Shop Expenses	212	0	212
Street Lights	7,137	7,000	137
Supplies	1,660	1,400	260

(Continued)

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

CITY OF LENORA, KANSAS

GENERAL FUND

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2009

(Continued)	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Telephone	\$ 1,860	1,500	360
Tools and Equipment	1,306	1,900	(594)
Transfer to Capital Improvements	5,000	5,000	0
Transfer to Special Equipment	5,000	5,000	0
Adjustments for Qualifying Budget Credits:			
Reimbursed Expenses	<u>0</u>	<u>41</u>	<u>(41)</u>
Total Expenditures	<u>129,160</u>	<u><b>186,385</b></u>	<u><b>(57,225)</b></u>
Cash Receipts Over (Under) Expenditures	1,656		
Unencumbered Cash, Beginning	<u>53,569</u>		
Unencumbered Cash, Ending	\$ <u><b>55,225</b></u>		

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

CITY OF LENORA, KANSAS

CEMETERY FUND

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

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Taxes			
Ad Valorem Property	\$ 1,017	1,028	(11)
Delinquent	8	0	8
Motor Vehicle	155	135	20
16/20M Vehicle	6	0	6
Recreational Vehicle	6	3	3
Slider	10	0	10
Grave Opening/Closing	1,640	2,000	(360)
Research Fee	5	0	5
Plot Sale	100	0	100
Reimbursed Expenses	<u>5,000</u>	<u>5,300</u>	<u>(300)</u>
Total Cash Receipts	<u>7,947</u>	<u>8,466</u>	<u>(519)</u>
Expenditures:			
Appropriations to Lenora Cemetery District	1,151	1,000	151
Repairs	179	175	4
Fuel and Oil	745	325	420
Miscellaneous	44	0	44
Salaries and Wages	5,776	7,090	(1,314)
Transfer to Employee Benefits	<u>442</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>8,337</u>	<u>8,590</u>	<u>(695)</u>
Cash Receipts Over (Under) Expenditures	(390)		
Unencumbered Cash, Beginning	<u>699</u>		
Unencumbered Cash, Ending	\$ <u>309</u>		

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

CITY OF LENORA, KANSAS

LIBRARY FUND

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Taxes			
Ad Valorem Property	\$ 4,122	4,170	(48)
Delinquent	33	150	(117)
Motor Vehicle	603	524	79
16/20M Vehicle	25	0	25
Recreational Vehicle	22	12	10
Slider	<u>40</u>	<u>0</u>	<u>40</u>
Total Cash Receipts	<u>4,845</u>	<u>4,856</u>	<u>(11)</u>
Expenditures:			
Appropriations to Library Board	<u>5,018</u>	<u>5,018</u>	<u>0</u>
Cash Receipts Over (Under) Expenditures	(173)		
Unencumbered Cash, Beginning	<u>499</u>		
Unencumbered Cash, Ending	\$ <u><u>326</u></u>		

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

## CITY OF LENORA, KANSAS

STATEMENT 3

## EMPLOYEE BENEFITS FUND

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## Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Taxes			
Ad Valorem Property	\$ 22,208	22,469	(261)
Delinquent	182	0	182
Motor Vehicle	3,392	2,957	435
16/20M Vehicle	111	0	111
Recreational Vehicle	124	70	54
Slider	218	0	218
Miscellaneous	40	0	40
Transfer from Cemetery	442	500	(58)
Transfer from Special Street and Highway	294	300	(6)
Transfer from Water Revenue	608	500	108
Transfer from Sewer	150	380	(230)
Transfer from Solid Waste	980	880	100
	<u>28,749</u>	<u>28,056</u>	<u>693</u>
Total Cash Receipts			
Expenditures:			
Health Insurance	14,000	17,916	(3,916)
KPER's Retirement	3,466	3,000	466
Miscellaneous Benefits	0	210	(210)
Social Security Taxes	6,448	6,400	48
Unemployment Tax	83	65	18
Workman's Compensation Insurance	3,707	3,500	207
	<u>27,704</u>	<u>31,091</u>	<u>(3,387)</u>
Total Expenditures			
Cash Receipts Over (Under) Expenditures	1,045		
Unencumbered Cash, Beginning	<u>8,683</u>		
Unencumbered Cash, Ending	\$ <u>9,728</u>		

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

**CITY OF LENORA, KANSAS**  
**SPECIAL STREET AND HIGHWAY FUND**  
Statement of Cash Receipts and Expenditures  
Actual and Budget  
For the Year Ended December 31, 2009

STATEMENT 3  
Page 7

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Taxes			
Ad Valorem Property	\$ 19,849	20,082	(233)
Delinquent	165	150	15
Motor Vehicle	3,037	2,638	399
16/20M Vehicle	128	0	128
Recreational Vehicle	110	62	48
Slider	194	0	194
Intergovernmental			
Special City/County Highway	6,756	8,950	(2,194)
Total Cash Receipts	30,239	31,882	(1,643)
Expenditures:			
Fuel and Oil	207	850	(643)
Miscellaneous	455	500	(45)
Repairs	2,145	20,000	(17,855)
Salaries and Wages	1,675	2,500	(825)
Snow Removal	2,856	1,200	1,656
Supplies	617	5,000	(4,383)
Sweeper Repairs	507	600	(93)
Transfer to Employee Benefit	294	300	(6)
Transfer to Special Equipment	0	17,270	(17,270)
Total Expenditures	8,756	48,220	(39,464)
Cash Receipts Over (Under) Expenditures	21,483		
Unencumbered Cash, Beginning	23,651		
Unencumbered Cash, Ending	\$ 45,134		

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

**CITY OF LENORA, KANSAS**  
**SPECIAL PARKS AND RECREATION FUND**  
Statement of Cash Receipts and Expenditures  
Actual and Budget  
For the Year Ended December 31, 2009

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Donations	\$ 50	0	50
Intergovernmental			
Local Alcoholic Liquor Tax	0	350	(350)
Total Cash Receipts	50	350	(300)
Expenditures:			
Park Repairs	0	4,517	(4,517)
Lenora Jubilee Committee	100	0	100
Total Expenditures	100	4,517	(4,417)
Cash Receipts Over (Under) Expenditures	(50)		
Unencumbered Cash, Beginning	6,369		
Unencumbered Cash, Ending	\$ 6,319		

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

## CITY OF LENORA, KANSAS

STATEMENT 3

## FIRE FUND

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

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Taxes			
Ad Valorem Property	\$ 9,128	9,236	(108)
Delinquent	74	100	(26)
Motor Vehicle	1,419	1,214	205
16/20M Vehicle	80	0	80
Recreational Vehicle	36	29	7
Slider	90	0	90
Miscellaneous	<u>0</u>	<u>20</u>	<u>(20)</u>
Total Cash Receipts	<u>10,827</u>	<u>10,599</u>	<u>228</u>
Expenditures:			
Bond Expense	0	0	0
Fuel and Oil	127	500	(373)
Lease Payments	5,692	5,692	0
Miscellaneous	13	50	(37)
Repairs	472	1,500	(1,028)
Supplies	10	500	(490)
Telephone	406	400	6
Tools and Equipment	2,764	500	2,264
Transfer to Special Fire Equipment	<u>0</u>	<u>4,110</u>	<u>(4,110)</u>
Total Expenditures	<u>9,484</u>	<u>13,252</u>	<u>(3,768)</u>
Cash Receipts Over (Under) Expenditures	1,343		
Unencumbered Cash, Beginning	<u>8,929</u>		
Unencumbered Cash, Ending	\$ <u>10,272</u>		

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

## CITY OF LENORA, KANSAS

STATEMENT 3

## WATER REVENUE FUND

Page 10

## Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 50,707	62,000	(11,293)
Bulk Water Sales	15	0	15
Hookup/Reconnect Fees	320	220	100
Capital Credits	359	270	89
Transfer from Water Surplus	<u>0</u>	<u>3,989</u>	<u>(3,989)</u>
Total Cash Receipts	<u>51,401</u>	<u>66,479</u>	<u>(15,078)</u>
Expenditures:			
Administrative	0	14,000	(14,000)
Chemicals	0	120	(120)
Dues	160	160	0
Education and Travel	143	300	(157)
Electricity	4,879	5,400	(521)
Fire Hydrant Replacement	0	500	(500)
Fuel & Oil	46	0	46
Heating	620	2,500	(1,880)
Lab Expenses	563	0	563
Legal and Professional Fees	2,000	1,000	1,000
Miscellaneous	0	0	0
Office Supplies	0	0	0
Permits and Licenses	20	180	(160)
Postage	200	0	200
Publications	110	175	(65)
Reimbursements	0	0	0
Repairs	7,668	5,100	2,568
Salaries and Wages	7,960	6,800	1,160
Sales and Groundwater Taxes and Fees	720	0	720
Supplies	0	3,100	(3,100)
Telephone	1,174	1,500	(326)
Tools and Equipment	17	600	(583)
Water Tower Maintenance	3,236	4,000	(764)

(Continued)

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

CITY OF LENORA, KANSAS

WATER REVENUE FUND

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
(Continued)			
Transfer to Employee Benefits	\$ 608	500	108
Transfer to Water Surplus	0	0	0
Transfer to Water System Debt Service	<u>21,277</u>	<u>20,544</u>	<u>733</u>
Total Expenditures	<u>51,401</u>	<u><b>66,479</b></u>	<u><b>(15,078)</b></u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 0</u>		

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

## CITY OF LENORA, KANSAS

STATEMENT 3

## SEWER FUND

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

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 18,399	19,000	(601)
Capital Credits	<u>35</u>	<u>120</u>	<u>(85)</u>
Total Cash Receipts	<u>18,434</u>	<u><b>19,120</b></u>	<u><b>(686)</b></u>
Expenditures:			
Administrative	0	1,200	(1,200)
Chemicals	840	800	40
Education and Travel	143	150	(7)
Electricity	1,034	1,000	34
Legal and Professional Fees	2,000	4,900	(2,900)
Miscellaneous	0	1,500	(1,500)
Permits and Licenses	205	185	20
Repairs	6	1,000	(994)
Revolving Loan Payment	8,813	8,813	0
Salaries and Wages	4,290	0	4,290
Telephone	340	350	(10)
Tools & Equipment	10	0	10
Transfer to Employee Benefits	<u>150</u>	<u>380</u>	<u>(230)</u>
Total Expenditures	<u>17,831</u>	<u><b>20,278</b></u>	<u><b>(2,447)</b></u>
Cash Receipts Over (Under) Expenditures	603		
Unencumbered Cash, Beginning	<u>10,545</u>		
Unencumbered Cash, Ending	\$ <u><b>11,148</b></u>		

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

## CITY OF LENORA, KANSAS

STATEMENT 3

## SOLID WASTE FUND

Page 13

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

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 29,897	28,900	997
Miscellaneous	34	0	34
Reimbursed Expenses	<u>205</u>	<u>0</u>	<u>205</u>
Total Cash Receipts	<u>30,136</u>	<u><b>28,900</b></u>	<u><b>1,236</b></u>
Expenditures:			
Administrative	0	750	(750)
Fuel and Oil	2,526	4,000	(1,474)
Landfill Fees	9,698	11,000	(1,302)
Miscellaneous	80	0	80
Office Supplies	0	950	(950)
Repairs	996	5,458	(4,462)
Salaries and Wages	12,807	12,500	307
Supplies	87	0	87
Transfer to Employee Benefits	980	880	100
Adjustments for Qualifying Budget Credits:			
Reimbursed Expenses	<u>0</u>	<u>205</u>	<u>(205)</u>
Total Expenditures	<u>27,174</u>	<u><b>35,743</b></u>	<u><b>(8,569)</b></u>
Cash Receipts Over (Under) Expenditures	2,962		
Unencumbered Cash, Beginning	<u>46,974</u>		
Unencumbered Cash, Ending	\$ <u><b>49,936</b></u>		

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

CITY OF LENORA, KANSAS

Any Non-Budgeted Fund

Statement of Cash Receipts and Expenditures

For the Year Ended December 31, 2009

	<u>Capital Improve- ments</u>	<u>Special Equipment</u>	<u>Special Fire Equipment</u>
Cash Receipts:			
Insurance Refund	\$ 0	4,833	0
Transfer from General	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Total Cash Receipts	<u>5,000</u>	<u>9,833</u>	<u>0</u>
Expenditures:			
Capital Outlay	<u>0</u>	<u>8,216</u>	<u>0</u>
Cash Receipts Over (Under) Expenditures	5,000	1,617	0
Unencumbered Cash, Beginning	<u>76,749</u>	<u>51,078</u>	<u>5,651</u>
Unencumbered Cash, Ending	\$ <u><u>81,749</u></u>	<u><u>52,695</u></u>	<u><u>5,651</u></u>

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

**CITY OF LENORA, KANSAS**  
 Any Non-Budgeted Fund  
 Statement of Cash Receipts and Expenditures  
For the Year Ended December 31, 2009

	<u>Hansen Foundation Grant</u>	<u>Water Surplus</u>	<u>Water System Debt Service</u>	<u>Customer Deposits</u>
Cash Receipts:				
Customer Deposits	\$ 0	0	0	400
Transfer from Water Revenue	<u>0</u>	<u>0</u>	<u>21,277</u>	<u>0</u>
Total Cash Receipts	<u>0</u>	<u>0</u>	<u>21,277</u>	<u>400</u>
Expenditures:				
Parks Improvement	5,000	0	0	0
Bond Principal	0	0	15,000	0
Bond Interest	0	0	6,699	0
Customer Refunds	<u>0</u>	<u>0</u>	<u>0</u>	<u>400</u>
Total Expenditures	<u>5,000</u>	<u>0</u>	<u>21,699</u>	<u>400</u>
Cash Receipts Over (Under) Expenditures	(5,000)	0	(422)	0
Prior Year Cancelled Encumbrances	0	0	0	0
Unencumbered Cash, Beginning	<u>27,170</u>	<u>194,087</u>	<u>17,313</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 22,170</u>	<u>194,087</u>	<u>16,891</u>	<u>0</u>

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

CITY OF LENORA, KANSAS

STATEMENT 4

Agency Funds

Summary of Cash Receipts and Cash Disbursements

For the Year Ended December 31, 2009

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Sales Tax	\$ 102	334	297	139
Payroll Clearing:				
AFLAC	89	1,068	1,068	89
KPERS	99	2,188	2,191	96
FICA	413	5,226	5,130	509
Medicare	96	1,222	1,200	118
Federal Withholding	411	5,706	5,504	613
State Withholding	186	2,776	2,682	280
Fire Insurance Proceeds	<u>13,455</u>	<u>0</u>	<u>13,455</u>	<u>0</u>
Total Agency Funds	\$ <u><u>14,851</u></u>	<u><u>18,520</u></u>	<u><u>31,527</u></u>	<u><u>1,844</u></u>

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

# CITY OF LENORA, KANSAS

Notes to the Financial Statements

December 31, 2009

## I. Summary of Significant Accounting Policies

### Reporting Entity

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

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

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the following are component units of the City:

Lenora City Library  
Housing Authority of the City of Lenora

Financial information for these component units has not been reported in the City's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with generally accepted accounting principles.

Lenora Public Library. The Lenora Public Library operates a municipal public library for the City of Lenora. A seven-member board of trustees is appointed by the City Council to oversee the operation. The City annually levies a tax for the operation of the Library and also provides the facilities. The City can also issue bonded debt for the benefit of the Library. The Library Board must obtain the approval for the acquisition or disposal of real property from the City Council. The Lenora Public Library issues separately unaudited financial statements that may be obtained from the Head Librarian, 110 N. Main, P.O. Box 247, Lenora, KS 67645.

Housing Authority of the City of Lenora. The Housing Authority of the City of Lenora operates the city's public housing facilities. The Housing Authority can sue and be sued, and can buy, sell or lease real property. A five-member board is appointed by the City Council to oversee the operation. The Housing Authority must obtain approval from the City Council for bond issuances. The Housing Authority of the Lenora issues separately unaudited financial statements that may be obtained from the City Clerk, 125 E. Washington, P.O. Box 331, Lenora KS 67745.

### Related Organizations

Related organizations are excluded from the City of Lenora, Kansas' financial statements because the City's accountability does not extend beyond making appointments to the governing body.

The following are related organizations to the City of Lenora, Kansas:

Lenora Cemetery District

The Lenora Cemetery District is organized under Kansas Statutes as a special district by the City of Lenora, Kansas and the Highland Township, Norton County, Kansas. The district was created for the maintenance and improvements of the three cemeteries in the District. Under the organizing statute, the mayor and the treasurer of the City are members of the governing board of the District as is the trustee of the Township. Although not required by Statute, the governing board appoints four members from the public residing within the District to also serve on the board. The District is fiscally independent of the City and the Township.

Fund Accounting

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

The following types of funds comprise the financial activities of the City of Lenora for the year 2009.

Governmental Funds:

General Fund--To account for all unrestricted 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 special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Capital Project Funds--to account for financial resources segregated for the acquisition of major capital facilities (other than those financed by enterprise funds).

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 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:

Private Purpose Trust and Agency Funds--To account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Reimbursed Expenditures

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

### Statutory Basis of Accounting

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

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

### Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balances 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 accounting principles generally accepted in the United States of America. Capital assets that account for the land, building, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

The required balance sheet, income statement, and the statement of cash flows are not presented for the proprietary fund types. Accounting principles generally accepted in the United States of America require these fund types to be accounted for by the full accrual method of accounting.

## 2. Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously non-budgeted 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. No Funds were amended in this manner for 2009.

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 related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds, and the following funds:

	<u>Statutory Authority for Exemption</u>
Special Revenue Funds:	
Capital Improvements	K.S.A. 12-1,118
Special Equipment	K.S.A. 12-1,117
Fire Special Equipment	K.S.A. 12-1,117
Hansen Foundation Grant	K.S.A. 79-2925
Enterprise Funds:	
Water Surplus	K.S.A. 12-825d
Water System Debt	K.S.A. 12-825d
Customer Deposits	K.S.A. 12-822

Spending in funds, which 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.

### 3. Property Taxes

Property taxes are levied November 1st of the calendar year. A lien is placed on the property when the taxes are levied. The taxes are due 1/2 on December 20th and 1/2 the following May 10th. Any taxes unpaid at the due dates are considered delinquent. Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year: such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operation of the City and therefore are not susceptible to accrual.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statements taken as a whole.

### 4. Inventories and Prepaid Expenses

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

## 5. Compensated Absences

### Vacation Pay

Each full-time employee earns paid vacation time after working for the City six months, as per the schedule below:

<u>Completed Years of Service</u>	<u>Vacation Hours Earned</u>
1 Year	4 Hours Per Month or 6 Days Annually
2 Years	6 Hours Per Month or 9 Days Annually
3 – 5 Years	8 Hours Per Month or 12 Days Annually
5 - 10 Years	10 Hours Per Month or 15 Days Annually
Over 10 Years	12 Hours Per Month or 18 Days Annually

Employees may carry over only 40 hours of vacation time from one year to another year. The cost of accumulated vacation pay as of December 31, 2009 is \$932.

### Sick Leave

Each full-time employee is entitled to 8 hours per month sick leave with a total accumulation limit of 500 hours or 62 days. All employees rights to sick leave end and will be forfeited on termination of employment, therefore, no cost of accumulated sick pay has been computed.

## 6. Defined Benefit Pension Plan

### Plan Description

The City of Lenora 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 South Kansas Avenue, Suite 100, Topeka, KS 66603-3803) 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 the year ended December 31, 2009 is 7.14%. The City of Lenora, Kansas' employer contributions to KPERS for the years ending December 31, 2009, 2008, and 2007 were \$3,466, \$3,255, and \$2,883 respectively, equal to the required contributions for each year.

## 7. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. Each retiree would pay the full amount of the applicable premium, conceptually; the City would be subsidizing the retirees because each participant would be charged a level premium regardless of age.

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.

#### 8. Deposits and Investments

At December 31, 2009, the City had no investments except for certificates of deposit which are considered as a component of deposits.

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

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

#### Concentration of Credit Risk

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

#### Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated any "peak periods" with eligible depositories. All deposits were legally secured at December 31, 2009.

At December 31, 2009, the City's carrying amount of deposits was \$571,489 and the bank balance was \$578,809. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$483,809 was covered by federal depository insurance, \$95,000 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

#### 9. Risk Management

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

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

The City continues to carry commercial insurance for all other risks of loss, including property, liability, inland marine and automobile. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### 10. Interfund Transactions

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General	Special Equipment	K.S.A. 12-1,117	\$ 5,000
General	Capital Improvement	K.S.A. 12-1,118	5,000
Cemetery	Employee Benefits	K.S.A. 12-1405	442
Special Street and Highway	Employee Benefits	K.S.A. 12-1405	294
Water Revenue	Employee Benefits	K.S.A. 12-825d	608
Water Revenue	Water System Debt	K.S.A. 12-825d	21,277
Sewer	Employee Benefits	K.S.A. 12-6311	150
Solid Waste	Employee Benefits	K.S.A. 65-3410	980

#### 11. Concentration Risk

##### Tax Revenue

The City derives most of its revenues to support its non-utility operations by levying property ad valorem taxes. These taxes are assessed to property owners who have property within the City limits and is based upon the assessed value of the property. A major portion of the total assessed property value for the 2007 tax roll was attributable to a single property owner. Tax collections and distribution for 2008 were based on the 2007 tax roll.

#### 12. Compliance with Finance related Legal and Contractual Provisions

##### Series 2003 Water System Refunding General Obligation Bond Indenture Compliance

Section 801(b) of the bond indenture requires all earnings on any investment held in any of the required funds under the indenture shall accrue to and become part of such fund. All of the City's money is in interest bearing accounts, however, no interest is being credited to the Water Surplus or the Water System Debt Service funds. This appears to be a violation of the bond indenture agreement.

13. **Long-term Debt**

Changes in long-term liabilities for the City of Lenora, Kansas for the year ended December 31, 2009 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:										
2003 Series Water System Refunding	1.40-4.50%	03/01/03	\$ 225,000	09/01/18	\$ 170,000	0	15,000		155,000	6,699
Capital Leases:										
1990 E-One Pumper Fire Truck	5.75%	03/27/06	69,000	03/27/15	27,067	0	4,131		22,936	1,561
Revolving Loan - State of Kansas:										
Sewer Plant Construction	3.74%	02/22/93	128,598	09/01/13	39,852	0	7,391		32,461	1,422
Total Contractual Indebtedness					236,919	0	26,522		210,397	9,682
Compensated Absences:										
Vacation	N/A	N/A	N/A	N/A	806			126	932	
Total Long-term Debt					\$ 237,725	0	26,522	126	211,329	9,682

(Continued)

13. Long-term Debt - (Continued)

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015-2019</u>	<u>Total</u>
<b>PRINCIPAL</b>							
General Obligation Bonds:							
2003 Series Water System Refunding	\$ 15,000	15,000	15,000	15,000	15,000	80,000	155,000
Capital Leases:							
1990 E-One Pumper Fire Truck	4,371	4,623	4,889	5,170	3,883	0	22,936
Revolving Loan - State of Kansas:							
Sewer Plant Construction	<u>7,670</u>	<u>7,959</u>	<u>8,260</u>	<u>8,572</u>	<u>0</u>	<u>0</u>	<u>32,461</u>
Total Principal	<u>27,041</u>	<u>27,582</u>	<u>28,149</u>	<u>28,742</u>	<u>18,883</u>	<u>80,000</u>	<u>210,397</u>
<b>INTEREST</b>							
General Obligation Bonds:							
2003 Series Water System Refunding	6,195	5,651	5,074	4,474	3,855	7,150	32,399
Capital Leases:							
1990 E-One Pumper Fire Truck	1,321	1,070	804	523	225	225	4,168
Revolving Loan - State of Kansas:							
Sewer Plant Construction	<u>1,143</u>	<u>853</u>	<u>553</u>	<u>241</u>	<u>0</u>	<u>0</u>	<u>2,790</u>
Total Interest	<u>8,659</u>	<u>7,574</u>	<u>6,431</u>	<u>5,238</u>	<u>4,080</u>	<u>7,375</u>	<u>39,357</u>
Total Principal and Interest	<u>\$ 35,700</u>	<u>35,156</u>	<u>34,580</u>	<u>33,980</u>	<u>22,963</u>	<u>87,375</u>	<u>249,754</u>