CITY OF UDALL, KANSAS

Financial Statements
December 31, 2009

with
Independent Auditors' Report

CITY OF UDALL, KANSAS
Financial Statements
Year Ended December 31, 2009
Table of Contents

	Page
Independent Auditors' Report	1
Statement 1:	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	2
Statement 2:	
Summary of Expenditures - Actual and Budget (Budgeted Funds Only)	3
Statement 3:	
Statement of Cash Receipts and Expenditures - Actual and Budget:	
Governmental Type Funds:	
General Fund	4
Special Revenue Funds:	
Special Highway	6
Library	7
Equipment Reserve - Actual	8
Capital Improvement - Actual	9
Grant Programs - Actual	10
City Sales Tax	11
Payroll Clearing - Actual	12
Debt Service Fund:	
Bond and Interest	13
Proprietary Type Funds:	
Electric System	14
Electric Reseve - Actual	15
Water System	16
Water Reserve - Actual	17
Water Construction - Actual	18
Sewer System	19
Sewer Reserve - Actual	20
Refuse System	21
Statement 4:	
Agency Funds - Swimming Pool Construction	22
Notes to Financial Statements	23

MEMBERS
GREGORY B. SEVIER, C.P.A.
JOHN B. GOSS, C.P.A.

PRINCIPALS
VONDA J. WILSON, C.P.A.
DENISE M. GUDENKAUF, C.P.A.
MATT T. HAASE, C.P.A.
JON W. OETTING, C.P.A.

PETERSON, PETERSON & GOSS, L.C.
CERTIFIED PUBLIC ACCOUNTANTS
417 NORTH TOPEKA AVENUE
P.O. BOX 1259
WICHITA, KANSAS 67201-1259
TELEPHONE 316-262-8371
FAX 316-262-5369
www.ppglc.com

MEMBER OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OF COUNSEL
MARVIN W. NYE, C.P.A.

INDEPENDENT AUDITORS' REPORT

The Mayor and City Council
City of Udall, Kansas

We have audited the accompanying financial statements of the individual funds of the City of Udall, 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 management of the City of Udall, Kansas. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Kansas Municipal Audit Guide and auditing standards generally accepted in the United States of America. Those standards 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 1, the City's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each of the various funds of the City of Udall, Kansas, as of December 31, 2009, and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the City Council and management of the City of Udall, Kansas and for filing with the Kansas Department of Administration, Division of Accounts and Reports and should not be used for any other purpose.

Peterson Peterson + Goss LC

June 6, 2010

CITY OF UDALL, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2009

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Current Year Ending Cash Balance
Governmental Type Funds:						
General	$ 57,947	$ 310,022	$ 265,047	$ 102,922	$ 11,206	$ 114,128
Special Revenue:						
Special Highway	11,255	22,435	16,222	17,468	2,581	20,049
Library	211	6,539	6,539	211	204	415
Equipment Reserve	84,443	5,000	45,000	44,443		44,443
Capital Improvement	50,900	5,000	-	55,900		55,900
Grant Programs	1,089	2,188	1,089	2,188		2,188
City Sales Tax	48,306	48,327	48,306	48,327		48,327
Payroll Clearing	610	273,305	273,915	-		-
Debt Service Fund:						
Bond and Interest	16,330	48,135	20,621	43,844		43,844
Proprietary Type Funds:						
Electric System	259,832	870,668	798,906	331,594	68,698	400,292
Electric Reserve	-	20,000	-	20,000		20,000
Water System	57,233	173,673	134,402	96,504	8,484	104,988
Water Reserve	-	156,776	-	156,776		156,776
Water Construction	91,199	1,055,997	1,026,733	120,463	2,000	122,463
Sewer System	19,024	47,758	25,170	41,612	322	41,934
Sewer Reserve	-	5,000	-	5,000		5,000
Refuse System	9,900	48,816	49,202	9,514	3,962	13,476
Agency Type Funds:						
Swimming Pool Construction	53,566	1,390	-	54,956	-	54,956
Total	$ 761,845	$ 3,101,029	$ 2,711,152	$ 1,151,722	$ 97,457	$ 1,249,179

Composition of cash:	
Petty cash	$ 200
Union State Bank :	
Regular checking	337,683
Agency funds (Certificate of Deposit)	54,956
Certificates of deposit	62,101
Corner Bank:	
NOW account	344,717
Certificates of deposit	449,522
Total	$ 1,249,179

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

CITY OF UDALL, KANSAS
Summary of Expenditures - Actual and Budget
Budgeted Funds Only
For the Year Ended December 31, 2009

Funds	Certified Budget	Expenditures Chargeable to Current Year	Variance - Favorable (Unfavorable)
Governmental Type Funds:			
General	$ 320,992	$ 265,047	$ 55,945
Special Revenue:			
Special Highway	33,327	16,222	17,105
Library	7,000	6,539	461
City Sales Tax	92,003	48,306	43,697
Debt Service:			
Bond and Interest	50,620	20,621	29,999
Proprietary Type Funds:			
Electric System	845,976	798,906	47,070
Water System	147,079	134,402	12,677
Sewer System	54,325	25,170	29,155
Refuse System	55,087	49,202	5,885
	$ 1,606,409	$ 1,364,415	$ 241,994

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
For the Year Ended December 31, 2009

	Budget	Actual	Variance - Over (Under)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	$ 179,934	$ 177,872	$ (2,062)
Delinquent	-	2,835	2,835
Motor vehicle	28,270	27,917	(353)
Licenses, permits and fees	7,000	5,833	(1,167)
Franchise fees	28,077	24,375	(3,702)
Fines, forfeitures and penalties	31,000	22,540	(8,460)
Interest	14,000	15,342	1,342
Cemetery	1,000	2,983	1,983
Reimbursements	3,000	-	(3,000)
Rents	1,440	1,440	-
Sales tax collected - utilities	16,360	19,718	3,358
Other	2,500	9,167	6,667
Total Cash Receipts	312,581	310,022	(2,559)
Expenditures:			
General government:			
Personal services	18,500	21,568	(3,068)
Commodities	10,000	7,781	2,219
Contractual services	46,000	31,782	14,218
Capital outlay	5,000	2,283	2,717
Taxes remitted - utilities	15,000	20,116	(5,116)
Police department:			-
Personal services	100,000	72,412	27,588
Commodities	8,000	4,321	3,679
Contractual services	28,000	14,762	13,238
Vehicle and other expense	-	4,321	(4,321)
Court remittances	6,000	3,302	2,698
Capital outlay	1,289	1,207	82

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
For the Year Ended December 31, 2009

	Budget	Actual	Variance - Over (Under)
Expenditures: continued			
Parks:			
Commodities	$ 9,000	$ 4,994	$ 4,006
Street department:			
Commodities	1,500	2,881	(1,381)
Other:			
Planning	14,025	16,533	(2,508)
Civil defense	4,000	150	3,850
G.O. bond principal	-	20,000	(20,000)
KDHE principal	20,873	18,215	2,658
KDHE interest	8,805	8,419	386
Capital outlay	15,000	-	15,000
Transfer to:			
Capital Improvement Fund	5,000	5,000	-
Equipment Reserve Fund	5,000	5,000	-
Total Expenditures	320,992	265,047	55,945
Receipts Over (Under) Expenditures	(8,411)	44,975	53,386
Unencumbered Cash, Beginning	8,411	57,947	49,536
Unencumbered Cash, Ending	$ -	$ 102,922	$ 102,922

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Special Highway Fund
For the Year Ended December 31, 2009

	Budget	Actual	Variance - Over (Under)
Cash Receipts:			
State fuel tax	$ 22,680	$ 18,775	$ (3,905)
County fuel tax	3,500	3,660	160
Total Cash Receipts	26,180	22,435	(3,745)
Expenditures:			
Commodities	33,327	16,222	17,105
Receipts Over (Under) Expenditures	(7,147)	6,213	13,360
Unencumbered Cash, Beginning	7,147	11,255	4,108
Unencumbered Cash, Ending	$ -	$ 17,468	$ 17,468

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Library Fund
For the Year Ended December 31, 2009

	Budget	Actual	Variance - Over (Under)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	$ 5,603	$ 5,585	$ (18)
Delinquent	-	34	34
Motor vehicle	936	920	(16)
Total Cash Receipts	6,539	6,539	-
Expenditures:			
Contractual	7,000	6,539	461
Receipts Over (Under) Expenditures	(461)	-	461
Unencumbered Cash, Beginning	461	211	(250)
Unencumbered Cash, Ending	$ -	$ 211	$ 211

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Equipment Reserve Fund
For the Year Ended December 31, 2009

	Actual
Cash Receipts:	
Transfers from:	
General Fund	$ 5,000
Expenditures:	
Capital outlay	-
Transfers to:	
Electric Reserve Fund	20,000
Water Reserve Fund	20,000
Sewer Reserve Fund	5,000
Total Expenditures	45,000
Receipts Over (Under) Expenditures	(40,000)
Unencumbered Cash, Beginning	84,443
Unencumbered Cash, Ending	$ 44,443

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Capital Improvement Fund
For the Year Ended December 31, 2009

	Actual
Cash Receipts:	
Transfers from:	
General Fund	$ 5,000
Expenditures:	
Capital outlay	-
Receipts Over (Under) Expenditures	5,000
Unencumbered Cash, Beginning	50,900
Unencumbered Cash, Ending	$ 55,900

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Grant Programs Fund
For the Year Ended December 31, 2009

	Actual
Cash Receipts:	
Gifts and Donations	$ 2,188
Expenditures:	
Police	1,089
Receipts Over (Under) Expenditures	1,099
Unencumbered Cash, Beginning	1,089
Unencumbered Cash, Ending	$ 2,188

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
City Sales Tax Fund
For the Year Ended December 31, 2009

	Budget	Actual	Variance - Over (Under)
Cash Receipts:			
Local sales tax	$ 46,000	$ 48,327	$ 2,327
Expenditures:			
Capital outlay	44,503	-	44,503
Transfer to:			
Electric System Fund	39,000	38,445	555
Water System Fund	6,000	7,482	(1,482)
Sewer System Fund	2,500	2,379	121
Total Expenditures	92,003	48,306	43,697
Receipts Over (Under) Expenditures	(46,003)	21	46,024
Unencumbered Cash, Beginning	46,003	48,306	2,303
Unencumbered Cash, Ending	$ -	$ 48,327	$ 48,327

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Payroll Clearing Fund
For the Year Ended December 31, 2009

	Actual
Cash Receipts:	
Payroll deposits	$ 273,305
Expenditures:	
Payroll costs	273,915
Receipts Over (Under) Expenditures	(610)
Unencumbered Cash, Beginning	610
Unencumbered Cash, Ending	$ -

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Bond and Interest Fund
For the Year Ended December 31, 2009

	Budget	Actual	Variance - Over (Under)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	$ 22,779	$ 26,510	$ 3,731
Delinquent	-	372	372
Motor vehicle	8,324	8,037	(287)
Special assessments	12,000	13,216	1,216
Total Cash Receipts	43,103	48,135	5,032
Expenditures:			
Principal	30,000	10,000	20,000
Interest	10,620	10,621	(1)
Cash basis reserve	10,000	-	10,000
Total Expenditures	50,620	20,621	29,999
Receipts Over (Under) Expenditures	(7,517)	27,514	35,031
Unencumbered Cash, Beginning	7,517	16,330	8,813
Unencumbered Cash, Ending	$ -	$ 43,844	$ 43,844

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Electric System Fund
For the Year Ended December 31, 2009

	Budget	Actual	Variance - Over (Under)
Cash Receipts:			
Electric sales	$ 650,000	$ 775,718	$ 125,718
New meter set	7,000	8,000	1,000
Penalties	5,000	10,595	5,595
Connect fees	2,100	1,435	(665)
Other	500	36,475	35,975
Transfer from City Sales Tax Fund	39,000	38,445	(555)
Total Cash Receipts	703,600	870,668	167,068
Expenditures:			
Personal services	145,000	161,544	(16,544)
Contractual services	545,000	584,021	(39,021)
Commodities	57,000	36,068	20,932
Capital outlay	96,476	-	96,476
Refunds	2,500	17,273	(14,773)
Total Expenditures	845,976	798,906	47,070
Receipts Over (Under) Expenditures	(142,376)	71,762	214,138
Unencumbered Cash, Beginning	142,376	259,832	117,456
Unencumbered Cash, Ending	$ -	$ 331,594	$ 331,594

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Electric Reserve Fund
For the Year Ended December 31, 2009

	Actual
Cash Receipts:	
Transfer from:	
Equipment Reserve Fund	$ 20,000
Expenditures:	
Capital outlay	-
Receipts Over (Under) Expenditures	20,000
Unencumbered Cash, Beginning	-
Unencumbered Cash, Ending	$ 20,000

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Water System Fund
For the Year Ended December 31, 2009

	Budget	Actual	Variance - Over (Under)
Cash Receipts:			
Water sales	$ 130,000	$ 157,928	$ 27,928
New meter set	4,000	3,805	(195)
Other	2,000	4,458	2,458
Transfer from City Sales Tax Fund	6,000	7,482	1,482
Total Cash Receipts	142,000	173,673	31,673
Expenditures:			
Personal services	72,000	75,033	(3,033)
Contractual services	33,000	17,452	15,548
Commodities	14,000	26,633	(12,633)
Capital outlay	14,079	1,284	12,795
Transfer to Water Reserve Fund	14,000	14,000	-
Total Expenditures	147,079	134,402	12,677
Receipts Over (Under) Expenditures	(5,079)	39,271	44,350
Unencumbered Cash, Beginning	5,079	57,233	52,154
Unencumbered Cash, Ending	$ -	$ 96,504	$ 96,504

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Water Reserve Fund
For the Year Ended December 31, 2009

	Actual
Cash Receipts:	
Transfer from:	
Water System Fund	$ 14,000
Water Construction Fund	122,776
Equipment Reserve Fund	20,000
Total Cash Receipts	156,776
Expenditures:	
Capital outlay	-
Receipts Over (Under) Expenditures	156,776
Unencumbered Cash, Beginning	-
Unencumbered Cash, Ending	$ 156,776

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Water Construction Fund
For the Year Ended December 31, 2009

	Actual
Cash Receipts:	
CDBG grant	$ 334,347
Debt proceeds, net	721,650
Total Cash Receipts	1,055,997
Expenditures:	
Capital outlay	903,957
Transfer to Water Reserve Fund	122,776
Total Expenditures	1,026,733
Receipts Over (Under) Expenditures	29,264
Unencumbered Cash, Beginning	91,199
Unencumbered Cash, Ending	$ 120,463

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Sewer System Fund
For the Year Ended December 31, 2009

	Budget	Actual	Variance - Over (Under)
Cash Receipts:			
Charges for service	$ 45,000	$ 45,379	$ 379
Transfer from City Sales Tax Fund	2,500	2,379	(121)
Total Cash Receipts	47,500	47,758	258
Expenditures:			
Personal services	10,000	10,449	(449)
Contractual services	20,000	7,640	12,360
Commodities	16,000	7,081	8,919
Capital outlay	8,325	-	8,325
Total Expenditures	54,325	25,170	29,155
Receipts Over (Under) Expenditures	(6,825)	22,588	29,413
Unencumbered Cash, Beginning	6,825	19,024	12,199
Unencumbered Cash, Ending	$ -	$ 41,612	$ 41,612

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Sewer Reserve Fund
For the Year Ended December 31, 2009

	Actual
Cash Receipts:	
Transfer from Equipment Reserve Fund	$ 5,000
Expenditures:	
Capital outlay	-
Receipts Over (Under) Expenditures	5,000
Unencumbered Cash, Beginning	-
Unencumbered Cash, Ending	$ 5,000

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Refuse System Fund
For the Year Ended December 31, 2009

	Budget	Actual	Variance - Over (Under)
Cash Receipts:			
Charges for service	$ 48,651	$ 48,816	$ 165
Expenditures:			
Contractual services	55,087	49,202	5,885
Receipts Over (Under) Expenditures	(6,436)	(386)	6,050
Unencumbered Cash, Beginning	6,436	9,900	3,464
Unencumbered Cash, Ending	$ -	$ 9,514	$ 9,514

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

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Disbursements
Agency Funds
For the Year Ended December 31, 2009

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Swimming Pool Construction Fund	$ 53,566	$ 1,390	$ -	$ 54,956

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

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of the City of Udall, Kansas (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, with exception of year-end salary accruals as detailed in Note 13, have been consistently applied in the preparation of the financial statements.

Reporting Entity

The City of Udall is a municipal corporation governed by an elected five-member council. These financial statements present the City of Udall (the primary government). The City has no component units.

Basis of Presentation

The financial activities of the City are recorded and presented on the basis of funds. A fund is 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 Udall, Kansas for the year 2009:

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 special assessments or major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

Debt Service Fund - to account for the accumulation of resources for, and the payment of, interest and principal on long-term debt.

1. Summary of Significant Accounting Policies (continued)

Proprietary Funds:

Enterprise Funds - to account for operations that are financed and operated in a manner similar to a private business enterprise, where a fee is charged to external users for goods or services.

Agency Funds:

Trust Funds – to account for assets held by a governmental unit in a trustee capacity for special purposes.

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, if any. 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 recorded 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 report on the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue, principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

2. Budget and Tax Cycle

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

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time.

The 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 statutoy 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 operating budget is not required for capital project funds and certain special revenue funds. These "nonbudgeted" funds include Equipment Reserve, Capital Improvement, Grant Programs, Payroll Clearing, Electric Reserve, Water Reserve, Water Construction, and Sewer Reserve Funds.

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

3. 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 at 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 rates 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 statutes for calendar year 2009 is 5.54%, plus the death and disability rate of 1.0%, for a total rate of 6.54%. There was a moratorium on KPERS death and disability premiums from March 1, 2009 through November 30, 2009. The City's employer contributions to KPERS for the years ending December 31, 2009, 2008 and 2007 were $10,965, $10,860, and $11,582, respectively, equal to the required contributions for each year.

4. Special Assessments

Projects, financed in part by special assessments, are financed through general obligation bonds of the City and are retired primarily from the Debt Service Fund. Special assessments paid prior to the issuance of the bonds are recorded as revenue in the appropriate project account. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service Fund.

5. Compensated Absences

Vacation

All full time employees of the City shall be entitled to vacation as follows:

From date of employment to December 31 of that year, considered the first calendar year, one week (5 working days) will be earned. After the second calendar year, two weeks (10 working days) will be earned. After ten calendar years, three weeks (15 working days) will be earned. Annual vacation shall be paid at the employee's regular rate during each leave period. Half of the employee's accrued vacation may be carried over from one year to the next. All requests for vacation shall be submitted to the appropriate supervisor. The estimated liability at December 31, 2009, assuming all employees with a carryover balance were to terminate employment, would be $1,307.

Sick Leave

All full-time employees of the City shall be entitled to five (5) days of sick leave per calendar year or 1.54 hours per payroll period. Sick leave shall be paid at the employee's regular rate of pay during such sick leave. The term sick leave shall also include any 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 benefits. Sick leave may be accumulated from year to year but no employee shall be credited with more than ten (10) days of accumulated sick leave. The Council may require satisfactory evidence of any illness or absence from duty at the time any payroll is approved.

Changes in the employee handbook, including reimbursement for sick leave accrued over eighty (80) hours, resulted in a reduction of accumulated sick leave. This reimbursement is included in the first pay check of the following year. The cost of accumulated sick leave is recorded in the financial statements at the time payments are made to employees. The estimated liability at December 31, 2009, assuming all employees with accumulated sick leave were to terminate employment, would be $7,018.

6. Deposits

At year-end the carrying amounts of the City's deposits, including certificates of deposit, were $1,249,179. The bank statement balances were $1,252,147. The differences between the carrying amounts and the bank balances are outstanding deposits and checks. Of the bank balances, $500,000 was covered by FDIC insurance and $752,147 was collateralized by pledged securities held under joint custody receipts issued by third party banks in the City's name. The third party banks holding the pledged securities are independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the City, the pledging bank and the independent third-party bank holding the pledged securities.

7. Compliance with Kansas Statutes

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

8. Interfund Transfers

Operating and residual equity transfers were as follows:

From	To	Amount
Operating transfers:		
General Fund	Capital Improvement Reserve Fund	$ 5,000
General Fund	Equipment Reserve Fund	5,000
Equipment Reserve Fund	Electric Reserve Fund	20,000
Equipment Reserve Fund	Water Reserve Fund	20,000
Equipment Reserve Fund	Sewer Reserve Fund	5,000
City Sales Tax Fund	Electric System Fund	38,445
City Sales Tax Fund	Water System Fund	7,482
City Sales Tax Fund	Sewer System Fund	2,379
Water System Fund	Water Reserve Fund	14,000
Residual equity transfers:		
Water Construction Fund	Water Reserve Fund	122,776

All transfers were made in accordance with State statutes.

9. Risk Management

Risk management is accomplished primarily through the purchase of commercial insurance coverage.

10. Concentrations

The City's electric system historically bought all of its electricity from the City of Winfield, Kansas. New agreements approved at the June 2009 council meeting moved this contract agreement from City of Winfield to Kansas Power Pool. Actual transmissions from Kansas Power Pool began in November 2009.

11. Operating Leases

The City receives $120 per month for a building lease with a hair salon.

12. Capital Projects

The City had one active project during the year ending December 31, 2009. The Water Supply Improvement project has an estimated cost of $2,015,000. The financing sources and construction expenditures are being accounted for in the Water Construction Fund.

The project is to be financed with the following sources of funds:

KDHE Loan	$1,365,000
CDBG Grant	400,000
City Funds	250,000
Total	$2,015,000

During 2009 the proceeds for funding were KDHE Loan proceeds, $721,650 and the CDBG Grant proceeds, $334,347. The expenditures on this project totaled $903,957.

13. Year-end Salary Accrual

The City accrued salaries as an encumbrance in the amount of $15,979. This reporting is inconsistent with prior years reporting; however, it is acceptable to accrue salaries. This does not violate budgetary or cash basis statutes but will result in a higher stated payroll for this year comparable to the prior year. This City will follow this accrual practice in the future.

14. Long-Term Debt

Changes in long-term liabilities for the City for the year ended December 31, 2009 along with current maturities of long-term debt and interest for the next five years and in five-year increments through maturity are as follows:

CITY OF UDALL, KANSAS
Notes to Financial Statements
December 31, 2009

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:										
Street improvements - Series 1989	7.5% to 8.0%	12/1/1989	$ 95,000	9/1/2009	$ 10,000	$ -	$ 10,000	$ -	$ -	$ 800
Internal improvements - Series 2001	4.1% to 5.0%	9/15/2001	300,000	9/1/2016	210,000	-	20,000	-	190,000	9,829
Total General Obligation Bonds					220,000	-	30,000	-	190,000	10,629
Revolving Loan Program:										
KWPCRF Project No. C20-1325-01	3.26%	9/1/2000	400,252	9/1/2020	262,763	-	18,215	-	244,548	8,419
KDHE Loan Project No 2490	3.63%	11/29/2007	1,365,000	2/1/2030 **	-	728,737 *	-	-	728,737	1,284
Total Revolving Loans					262,763	728,737	18,215	-	973,285	9,703
Total Contractual Indebtedness					482,763	728,737	48,215	-	1,163,285	20,332
Compensated Absences	N/A	N/A	N/A	N/A	10,858	-	-	(2,533)	8,325	-
Total Long-Term Debt					$ 493,621	$ 728,737	$ 48,215	$ (2,533)	$ 1,171,610	$ 20,332

Maturities	2010	2011	2012	2013	2014	2015-2019	2020-2024	2025-2029	2030-2034	Total
Principal:										
General obligation bonds	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 30,000	$ 60,000	$ -	$ -	$ -	$ 190,000
Revolving loan program **	42,333	67,759	70,168	72,663	75,246	418,324	385,397	383,637	94,021	1,609,548
Total Principal	$ 67,333	$ 92,759	$ 95,168	$ 97,663	$ 105,246	$ 478,324	$ 385,397	$ 383,637	$ 94,021	$ 1,799,548
Interest:										
General obligation bonds	$ 8,960	$ 7,860	$ 6,735	$ 5,585	$ 4,410	$ 4,470	$ -	$ -	$ -	$ 38,020
Revolving loan program	32,595	55,463	53,054	50,559	47,976	197,786	124,177	52,714	861	615,185
Total Interest	$ 41,555	$ 63,323	$ 59,789	$ 56,144	$ 52,386	$ 202,256	$ 124,177	$ 52,714	$ 861	$ 653,205

* - Amount advanced includes loan origination fees
** - The full amount of the loan was not advanced in 2009, this reflects the amount received; however, the subsequent payments reflected in the maturities is based on the full amount being repaid according to the amortization schedule.