

CITY OF WOODSTON, KANSAS

Financial Statements on the Debt Service Fund
Water Utility Fund, and Bond Reserve Fund

With Independent Auditors' Report
For the Year December 31, 2009

CITY OF WOODSTON, KANSAS
Financial Statements on the Debt Service Fund, Water Utility Fund and Bond Reserve Fund
With Independent Auditors' Report For the Year Ended December 31, 2009

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Woodston, Kansas
Woodston, Kansas

We have audited the accompanying financial statements of the Debt Service Fund, Water Utility Fund, and the Bond Reserve Fund of the **City of Woodston, Kansas**, as of and for the year then ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of **City of Woodston, Kansas'** management. Our responsibility is to express opinions 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 the audit guide 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 opinions.

As described in Note 1, the financial statements present only the Debt Service Fund, Water Utility Fund, and the Bond Reserve Fund and do not purport to, and do not, present fairly the financial position of **City of Woodston, Kansas**, as of December 31, 2009, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described more fully in Note 1, the **City of Woodston, Kansas**, has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects 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 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 **City of Woodston, Kansas**, as of December 31, 2009, or changes in its financial position, for the year then ended. Further, the **City of Woodston, Kansas** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Debt Service Fund, Water Utility Fund, and the Bond Reserve Fund of the **City of Woodston, Kansas**, as of December 31, 2009, and their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

June 14, 2010

CITY OF WOODSTON, KANSAS
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash
 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
Proprietary Fund Category							
Enterprise Funds							
Debt Service Fund	\$ 3,098	-	10,500	11,646	1,952	-	1,952
Water Utility Fund	38,114	-	58,234	44,066	52,282	503	52,785
Bond Reserve Fund	10,177	-	390	-	10,567	-	10,567
Total Reporting Unit	\$ 51,389	-	69,124	55,712	64,801	503	65,304
Composition of Cash							
				Checking Accounts		\$	13,327
				Petty Cash			35
				Certificates of Deposits			73,255
				Total Cash			86,617
				Less Funds Not Reported			(21,313)
				Total Reporting Unit		\$	65,304

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

CITY OF WOODSTON, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2009

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Proprietary Fund Category					
Enterprise Funds					
Debt Service Fund	\$ 13,583	-	13,583	11,646	1,937
Water Utility Fund	74,044	-	74,044	44,066	29,978

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

CITY OF WOODSTON, KANSAS
Debt Service Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Transfers In	\$ 10,500	10,500	10,500	-
Expenditures				
Principal	8,000	9,000	9,000	-
Interest	3,315	2,635	2,635	-
Commissions	10	11	250	239
Cash Basis Reserve	-	-	1,698	1,698
Total Expenditures	11,325	11,646	13,583	1,937
Receipts Over (Under) Expenditures	(825)	(1,146)		
Unencumbered Cash, Beginning	3,923	3,098		
Unencumbered Cash, Ending	\$ 3,098	1,952		

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

CITY OF WOODSTON, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for Services	\$ 43,121	58,133	38,000	20,133
Interest	418	76	-	76
Miscellaneous	100	25	-	25
Total Cash Receipts	<u>43,639</u>	<u>58,234</u>	<u>38,000</u>	<u>20,234</u>
Expenditures				
Personal Services	8,817	8,463	8,500	37
Commodities	5,084	3,920	3,500	(420)
Contractual Services	9,169	12,183	12,000	(183)
Capital Outlay	1,000	-	30,044	30,044
Water Protection Fees	398	-	500	500
Operating Transfers				
Debt Service Fund	10,500	10,500	10,500	-
General Fund	5,000	9,000	9,000	-
Total Expenditures	<u>39,968</u>	<u>44,066</u>	<u>74,044</u>	<u>29,978</u>
Receipts Over (Under) Expenditures	3,671	14,168		
Unencumbered Cash, Beginning	<u>34,443</u>	<u>38,114</u>		
Unencumbered Cash, Ending	\$ <u>38,114</u>	<u>52,282</u>		

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

CITY OF WOODSTON, KANSAS
Bond Reserve Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Other Income		
Interest Income	\$ 377	390
Unencumbered Cash, Beginning	<u>9,800</u>	<u>10,177</u>
Unencumbered Cash, Ending	<u>\$ 10,177</u>	<u>10,567</u>

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

CITY OF WOODSTON, KANSAS

Notes to Financial Statements

December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **City of Woodston, Kansas**, has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to 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. The following is a summary of such significant policies.

Reporting Entity

The **City of Woodston, Kansas**, is a municipal corporation governed by an elected Mayor and four elected Council members. The City receives funding from local, state, and federal resources and must comply with the requirements of those sources.

The **City of Woodston, Kansas**, is the primary government as defined in GASB #14 and further amended by GASB #39. The City Council is elected by the public. The Council has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters. The City has no organizations that are controlled or dependent on the City.

The financial statements present only the Water Utility Fund, Debt Service Fund, and the Bond Reserve Fund.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Accordingly, actual results could differ from those estimates.

Basis of Presentation – Fund Accounting

The accounts of the government are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2009.

Proprietary Fund Category

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.

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 would be charged in the fund from which the transfer is made.

CITY OF WOODSTON, KANSAS

Notes to Financial Statements

December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, and temporary notes 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. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A legal operating budget is not required for the Bond Reserve Fund.

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

Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in summary of cash receipts, expenditures, and unencumbered cash.

The City had no investments as of December 31, 2009.

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, or in an adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the 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 did not use "peak periods" during 2009. All deposits were legally secured at December 31, 2009.

At December 31, 2009, the City's carrying amount of deposits was \$86,617 and the bank balance was \$86,824. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$86,824 was covered by federal depository insurance.

Compensated Absences

The City has no policy regarding compensated absences. All employees are part-time and do not receive benefits.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt, and for expenditures approved in federal and state grant contracts. Also, cash is restricted in the trust fund of the City for special purposes.

Reimbursements

The **City of Woodston, Kansas**, records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund.

CITY OF WOODSTON, KANSAS

Notes to Financial Statements

December 31, 2009

NOTE 2 – OPERATING TRANSFERS

Operating transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects, and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas Statutes. The City’s operating transfers and statutory authority for December 31, 2009 were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water Utility Fund	Debt Service Fund	K.S.A. 12-825(d)	\$ 10,500
Water Utility Fund	General Fund	K.S.A. 12-825(d)	9,000

NOTE 3 – VARIOUS AGREEMENTS

The City has entered into various agreements as follows:

Easement for Access to Bulk Water Plant – agreement entered into on April 14, 1992, for a tract of land for the purpose of establishing an easement for access to the **City of Woodston** bulk water plant. The term of the lease is for 99 years commencing April 1, 1992, and ending April 1, 2091. The city agreed to pay \$15.00 per month for a period of one year from April 1, 1992, for the lease of the property; it is considered a paid up lease for the remaining 98 years.

NOTE 4 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in the City’s cash and unencumbered cash balances. However, comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 5 – COMPLIANCE WITH WATER SYSTEM REVENUE BONDS COVENANTS

The Water System Revenue Bonds – Series 1990 requires that the City meet certain covenants set forth by the bond company as long as the Bonds remain outstanding.

The City has complied with the covenants set forth in Resolution No. 184 which was adopted in 1990, except that the bills were not paid with “proper system of voucher”.

There were 81 customers being served by the System at January 1, 2009 and 84 customers being served at December 31, 2009.

The Water System Revenue Bonds – Series 1990 requires that water rates charged in each year will enable the City to have in each fiscal year net revenues from the system equal to 125 percent of the maximum debt service requirements to be paid out of said revenues in any succeeding fiscal year with respect to the Bonds. This provision was complied with for the year ended December 31, 2009.

Net Revenues		\$ 33,668
Maximum Debt Service Requirements	11,870	
	<u>125%</u>	
Net Revenues Required		<u>14,838</u>
Excess		<u>\$ 18,830</u>

CITY OF WOODSTON, KANSAS

Notes to Financial Statements

December 31, 2009

NOTE 6 – RISK MANAGEMENT CLAIMS AND JUDGMENTS

The City carries commercial insurance for other risks of loss, including property, general liability, workmen's compensation, automobile, and surety bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

NOTE 7 – LONG-TERM DEBT

The City has the following type of Long-Term Debt.

Revenue Bond

On April 1, 1990, the City issued \$100,000 in Water System Utility – Series 1990 Bonds for the purpose of certain water supply system improvements.

Changes in long-term liabilities for the City 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
Revenue Bond: Water System - Series 1990	8.5%	4/1/90	100,000	10/2011	\$ 31,000	-	9,000	(9,000)	22,000	\$ 2,635

Current maturities of long-term debt and interest for the next two years are as follows:

	2010	2011	Total
Principal			
Revenue Bonds			
Water System	\$ 10,000	12,000	22,000
Interest			
Revenue Bonds			
Water System	1,870	1,020	2,890
TOTAL PRINCIPAL AND INTEREST	\$ 11,870	13,020	24,890

NOTE 8 – LITIGATION

The **City of Woodston, Kansas**, is party to various legal proceedings, which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

NOTE 9 – RELATED PARTY TRANSACTIONS

The following related party transactions were identified for 2009. Related party transactions do not include compensation arrangements, expense allowances and reimbursements, and similar items incurred in the ordinary course of operations and, accordingly, such items are not included below.

	<u>2009</u>
James Cantor, Relative of Councilman	\$ 2,200
Paul Graf, Relative of Mayor	364
Ron Turnbull, Relative of Councilman	1,021
Jonathon Brown, Relative of Mayor	2,167

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

NOTE 10 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City failed to remit to the state fiscal agent at least twenty (20) days before the day of maturity of a bond or the interest thereon, funds sufficient for the redemption of such bonds and the payment of the interest thereon per K.S.A. 10-130.

The City did not maintain a record of each fund's encumbrances as required by K.S.A. 10-1117.