

CITY OF DEERFIELD, KANSAS  
STATUTORY BASIS FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

CITY OF DEERFIELD, KANSAS  
STATUTORY BASIS FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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## INDEPENDENT AUDITORS' REPORT

The City Council Members  
City of Deerfield, Kansas

We have audited the accompanying statutory basis financial statements of the City of Deerfield, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These statutory basis financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these statutory basis financial statements based on our audit. The prior year comparative information has been derived from the City's 2009 financial statements and, in our report dated June 1, 2010, we expressed an unqualified opinion on the statutory basis financial statements prepared on the basis of accounting described in Note 1.

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 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 described in Note 1, the City prepared these statutory basis financial statements using 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 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 described in the preceding paragraph, the statutory basis financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Deerfield, Kansas, as of December 31, 2010, or the changes in its financial position, or where applicable, its cash flows for the year then ended. Further, the City 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 part of, the basic financial statements.

In our opinion, the statutory basis financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the City of Deerfield, Kansas, as of December 31, 2010, and its cash receipts and expenditures, and budgetary comparisons, for the year then ended, taken as a whole under the basis of accounting described in Note 1.

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### CPAs

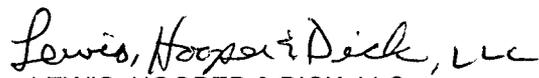
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The City Council Members  
City of Deerfield, Kansas  
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Our audit was performed for the purpose of forming an opinion on the statutory basis financial statements of the City of Deerfield, Kansas, taken as a whole. The accompanying financial information listed as supplemental schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the statutory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the statutory basis financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the statutory basis financial statements taken as a whole on the basis of accounting described in Note 1.

  
LEWIS, HOOPER & DICK, LLC

March 1, 2011

CITY OF DEERFIELD, KANSAS  
 Summary of Cash Receipts, Expenditures and Unencumbered Cash  
 For the Year Ended December 31, 2010

Funds	Unencumbered Cash 01/01/10	Receipts and Transfers	Expenditures and Transfers	Unencumbered Cash 12/31/10	Add Payables and Encumbrances	Treasurer's Cash 12/31/10
<u>Governmental Type Funds</u>						
General	\$ 82,229	\$ 250,964	\$ 294,952	\$ 38,241	\$ 154	\$ 38,395
Special Revenue Funds:						
Employee Benefits	13,344	87,822	84,273	16,893	4,019	20,912
Machinery and Equipment	28,337	55,000	29,833	53,504	-	53,504
Special Highway	147,864	138,370	38,935	247,299	-	247,299
Special Liability	8,095	742	2,941	5,896	-	5,896
Shriver Development	-	56,933	-	56,933	-	56,933
Total Special Revenue	<u>197,640</u>	<u>338,867</u>	<u>155,982</u>	<u>380,525</u>	<u>4,019</u>	<u>384,544</u>
Debt Service Fund:						
Bond and Interest	8,117	27,995	27,995	8,117	-	8,117
<u>Proprietary Type Funds</u>						
Water Utility:						
General	50,115	194,879	169,286	75,708	-	75,708
Water Depreciation Reserve	13,061	30,000	34,160	8,901	-	8,901
Total Water Utility	<u>63,176</u>	<u>224,879</u>	<u>203,446</u>	<u>84,609</u>	<u>-</u>	<u>84,609</u>
Sewer Utility:						
General	14,547	37,486	36,638	15,395	-	15,395
Sewer Pond Reserve	770	5,000	3,037	2,733	-	2,733
Total Sewer Utility	<u>15,317</u>	<u>42,486</u>	<u>39,675</u>	<u>18,128</u>	<u>-</u>	<u>18,128</u>
Refuse Utility	16,635	42,621	55,650	3,606	-	3,606
Storm Sewer Utility	29,464	11,168	18,467	22,165	-	22,165
Customer Deposits	7,530	3,961	3,723	7,768	-	7,768
Total Proprietary	<u>132,122</u>	<u>325,115</u>	<u>320,961</u>	<u>136,276</u>	<u>-</u>	<u>136,276</u>
Total All Funds (Memorandum only)	<u>\$ 420,108</u>	<u>\$ 942,941</u>	<u>\$ 799,890</u>	<u>\$ 563,159</u>	<u>\$ 4,173</u>	<u>\$ 567,332</u>
Composition of Cash:						
Kearny County Bank					\$ 482,118	
Plains State Bank					101,566	
Outstanding checks					<u>(16,602)</u>	
Total cash in bank						\$ 567,082
Cash on hand						<u>250</u>
Total cash						<u>\$ 567,332</u>

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

CITY OF DEERFIELD, KANSAS  
 Summary of Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010

	Certified Budget	Expenditures Chargeable to Current Year Budget	Variance Over (Under)
<u>Governmental Type Funds</u>			
General	\$ 312,983	\$ 294,952	\$ (18,031)
Special Revenue Funds:			
Employee Benefits	96,897	84,273	(12,624)
Machinery and Equipment	55,000	29,833	(25,167)
Special Highway	420,367	38,935	(381,432)
Special Liability	6,866	2,941	(3,925)
Debt Service Fund:			
Bond and Interest	36,045	27,995	(8,050)
<u>Proprietary Type Funds</u>			
Water Utility:			
General	224,625	169,286	(55,339)
Water Depreciation Reserve	41,089	34,160	(6,929)
Sewer Utility:			
General	52,709	36,638	(16,071)
Sewer Pond Reserve	6,102	3,037	(3,065)
Refuse Utility	62,632	55,650	(6,982)
Storm Sewer Utility	36,872	18,467	(18,405)
Customer Deposits	15,260	3,723	(11,537)

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

CITY OF DEERFIELD, KANSAS  
 General Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts:</b>				
Administration:				
Taxes	\$ 160,079	\$ 158,517	\$ 146,848	\$ 11,669
Intergovernmental	-	19,655	19,655	-
Franchises	20,865	22,123	22,000	123
Fines, licenses and permits	10,758	7,485	6,000	1,485
Use of money and property	26,396	22,425	36,000	(13,575)
Reimbursements and miscellaneous	12,772	17,259	15,600	1,659
Total administration	230,870	247,464	246,103	1,361
Streets	-	-	-	-
Parks	3,500	3,500	4,000	(500)
Total cash receipts	234,370	250,964	\$ 250,103	\$ 861
<b>Expenditures:</b>				
General administration:				
Personnel services	140,641	150,698	\$ 164,516	\$ (13,818)
Contractual services	65,072	45,703	35,000	10,703
Commodities	40,594	44,831	50,200	(5,369)
Capital outlay	128	12,500	15,000	(2,500)
Total general administration	246,435	253,732	264,716	(10,984)
Streets:				
Commodities	-	-	3,845	(3,845)
Street lighting:				
Contractual services	6,410	7,276	8,000	(724)
Police:				
Contractual services	1	1	1	-
Parks:				
Commodities	3,371	6,334	6,250	84
Zoning	19,210	17,609	20,171	(2,562)
Transfers out	10,000	10,000	10,000	-
Total expenditures	285,427	294,952	\$ 312,983	\$ (18,031)
Receipts under expenditures	(51,057)	(43,988)		
Unencumbered cash, beginning of year	133,286	82,229		
Unencumbered cash, end of year	\$ 82,229	\$ 38,241		

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

CITY OF DEERFIELD, KANSAS  
Employee Benefits Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Taxes	\$ 75,095	\$ 87,822	\$ 90,251	\$ (2,429)
Expenditures:				
Employee benefits	79,105	84,273	\$ 96,897	\$ (12,624)
Receipts over (under) expenditures	(4,010)	3,549		
Unencumbered cash, beginning of year	17,354	13,344		
Unencumbered cash, end of year	\$ 13,344	\$ 16,893		

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

CITY OF DEERFIELD, KANSAS  
Machinery and Equipment Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts:</b>				
Transfer from General	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Transfer from Water	20,000	20,000	20,000	-
Transfer from Refuse	25,000	25,000	25,000	-
Total cash receipts	<u>55,000</u>	<u>55,000</u>	<u>\$ 55,000</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Capital outlay and equipment lease	<u>50,260</u>	<u>29,833</u>	<u>\$ 55,000</u>	<u>\$ (25,167)</u>
Receipts over expenditures	4,740	25,167		
Unencumbered cash, beginning of year	<u>23,597</u>	<u>28,337</u>		
Unencumbered cash, end of year	<u>\$ 28,337</u>	<u>\$ 53,504</u>		

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

CITY OF DEERFIELD, KANSAS  
Special Highway Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts:</b>				
State of Kansas - gas tax	\$ 20,521	\$ 21,984	\$ 23,540	\$ (1,556)
Reimbursements and miscellaneous	<u>135,356</u>	<u>116,386</u>	<u>119,700</u>	<u>(3,314)</u>
Total cash receipts	<u>155,877</u>	<u>138,370</u>	<u>\$ 143,240</u>	<u>\$ (4,870)</u>
<b>Expenditures:</b>				
Personnel services	5,732	-	\$ 7,460	\$ (7,460)
Contractual	301,818	29,108	411,907	(382,799)
Commodities	<u>13,559</u>	<u>9,827</u>	<u>1,000</u>	<u>8,827</u>
Total expenditures	<u>321,109</u>	<u>38,935</u>	<u>\$ 420,367</u>	<u>\$ (381,432)</u>
Receipts over (under) expenditures	(165,232)	99,435		
Unencumbered cash, beginning of year	<u>313,096</u>	<u>147,864</u>		
Unencumbered cash, end of year	<u>\$ 147,864</u>	<u>\$ 247,299</u>		

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

CITY OF DEERFIELD, KANSAS  
Special Liability Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Taxes	\$ 5,005	\$ 742	\$ 734	\$ 8
Expenditures:				
Tort liability	3,073	2,941	\$ 6,866	\$ (3,925)
Receipts over (under) expenditures	1,932	(2,199)		
Unencumbered cash, beginning of year	6,163	8,095		
Unencumbered cash, end of year	\$ 8,095	\$ 5,896		

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

CITY OF DEERFIELD, KANSAS  
 Shriver Development Fund  
 Statement of Cash Receipts and Expenditures - Actual  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	<u>Prior Year</u>	<u>Current Year Actual</u>
Cash Receipts:		
Donations	<u>\$ -</u>	<u>\$ 56,933</u>
Expenditures:		
Capital outlay and improvements	<u>-</u>	<u>-</u>
Receipts over expenditures	-	56,933
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>
Unencumbered cash, end of year	<u><u>\$ -</u></u>	<u><u>\$ 56,933</u></u>

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

CITY OF DEERFIELD, KANSAS  
 Bond and Interest Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts:</b>				
Taxes	\$ 5	\$ -	\$ -	\$ -
Transfer from Storm Sewer Utility	1,000	-	-	-
Transfer from Water Utility	29,806	27,995	27,995	-
<b>Total cash receipts</b>	<b>30,811</b>	<b>27,995</b>	<b>\$ 27,995</b>	<b>\$ -</b>
<b>Expenditures:</b>				
Bond principal	20,000	20,000	\$ 20,000	\$ -
Bond coupons	8,545	7,995	7,995	-
Fiscal fees	-	-	50	(50)
Cash basis reserve	-	-	8,000	(8,000)
<b>Total expenditures</b>	<b>28,545</b>	<b>27,995</b>	<b>\$ 36,045</b>	<b>\$ (8,050)</b>
Receipts over expenditures	2,266	-		
Unencumbered cash, beginning of year	5,851	8,117		
Unencumbered cash, end of year	<u>\$ 8,117</u>	<u>\$ 8,117</u>		

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

CITY OF DEERFIELD, KANSAS  
 Water Utility Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts:</b>				
Charge for services	\$ 113,273	\$ 135,776	\$ 145,766	\$ (9,990)
Penalties and reconnect fees	10,236	4,850	4,200	650
Miscellaneous	(1,020)	1,212	2,000	(788)
Water protection fee	32,994	33,041	32,000	1,041
Transfer from Water Depreciation Reserve	-	20,000	-	20,000
<b>Total cash receipts</b>	<b>155,483</b>	<b>194,879</b>	<b>\$ 183,966</b>	<b>\$ 10,913</b>
<b>Expenditures:</b>				
Personnel services	63,057	39,117	\$ 52,630	\$ (13,513)
Production	20,228	9,691	15,000	(5,309)
Distribution	21,398	23,609	44,000	(20,391)
General	7,925	8,820	5,000	3,820
Capital outlay	11,411	10,054	30,000	(19,946)
Interest	965	-	-	-
Transfers out	79,806	77,995	77,995	-
<b>Total expenditures</b>	<b>204,790</b>	<b>169,286</b>	<b>\$ 224,625</b>	<b>\$ (55,339)</b>
Receipts over (under) expenditures	(49,307)	25,593		
Unencumbered cash, beginning of year	99,422	50,115		
Unencumbered cash, end of year	<u>\$ 50,115</u>	<u>\$ 75,708</u>		

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

CITY OF DEERFIELD, KANSAS  
 Water Depreciation Reserve Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Cash Receipts:</b>				
Transfer from Water Utility	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
<b>Expenditures:</b>				
Capital outlay and improvements	7,994	7,994	\$ 41,089	\$ (33,095)
Payment on temporary notes	46,299	6,166	-	6,166
Transfer to Water Utility	-	20,000	-	20,000
Total expenditures	54,293	34,160	\$ 41,089	\$ (6,929)
Receipts under expenditures	(24,293)	(4,160)		
Unencumbered cash, beginning of year	37,354	13,061		
Unencumbered cash, end of year	\$ 13,061	\$ 8,901		

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

CITY OF DEERFIELD, KANSAS  
 Sewer Utility Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Charge for services	\$ 38,695	\$ 37,486	\$ 38,640	\$ (1,154)
Expenditures:				
Personnel services	14,312	7,611	\$ 17,140	\$ (9,529)
Contractual services	5,210	6,532	10,500	(3,968)
Commodities	16,175	17,495	11,500	5,995
Interest on temporary notes	520	-	8,569	(8,569)
Transfer to Sewer Pond Reserve	5,000	5,000	5,000	-
Total expenditures	41,217	36,638	\$ 52,709	\$ (16,071)
Receipts over (under) expenditures	(2,522)	848		
Unencumbered cash, beginning of year	17,069	14,547		
Unencumbered cash, end of year	\$ 14,547	\$ 15,395		

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

CITY OF DEERFIELD, KANSAS  
 Sewer Pond Reserve Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Transfer from Sewer Fund	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Donations	946	-	-	-
Total cash receipts	<u>5,946</u>	<u>5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
Expenditures:				
Capital outlay and improvements	-	-	\$ 6,102	\$ (6,102)
Payment on temporary notes	<u>12,664</u>	<u>3,037</u>	<u>-</u>	<u>3,037</u>
Total expenditures	<u>12,664</u>	<u>3,037</u>	<u>\$ 6,102</u>	<u>\$ (3,065)</u>
Receipts over (under) expenditures	(6,718)	1,963		
Unencumbered cash, beginning of year	<u>7,488</u>	<u>770</u>		
Unencumbered cash, end of year	<u>\$ 770</u>	<u>\$ 2,733</u>		

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

CITY OF DEERFIELD, KANSAS  
 Refuse Utility Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2010  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Charge for services	\$ 43,371	\$ 42,621	\$ 50,126	\$ (7,505)
Expenditures:				
Personnel services	16,262	21,632	\$ 21,632	\$ -
Contractual services	7,671	7,518	7,500	18
Capital outlay	-	1,500	8,500	(7,000)
Transfer to Machinery and Equipment	25,000	25,000	25,000	-
Total expenditures	48,933	55,650	\$ 62,632	\$ (6,982)
Receipts under expenditures	(5,562)	(13,029)		
Unencumbered cash, beginning of year	22,197	16,635		
Unencumbered cash, end of year	\$ 16,635	\$ 3,606		

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

CITY OF DEERFIELD, KANSAS  
Storm Sewer Utility Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Charges for services	\$ 10,830	\$ 11,168	\$ 9,900	\$ 1,268
Expenditures:				
Personnel services	-	9,533	\$ 5,356	\$ 4,177
Miscellaneous	9,574	8,934	-	8,934
Construction	-	-	31,516	(31,516)
Transfer to Bond and Interest	1,000	-	-	-
Total expenditures	10,574	18,467	\$ 36,872	\$ (18,405)
Receipts over (under) expenditures	256	(7,299)		
Unencumbered cash, beginning of year	29,208	29,464		
Unencumbered cash, end of year	\$ 29,464	\$ 22,165		

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

CITY OF DEERFIELD, KANSAS  
Customer Deposits Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2010  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Customer deposits	\$ 3,000	\$ 3,961	\$ 6,200	\$ (2,239)
Expenditures:				
Contractual services	3,330	3,723	\$ 15,260	\$ (11,537)
Receipts over (under) expenditures	(330)	238		
Unencumbered cash, beginning of year	7,860	7,530		
Unencumbered cash, end of year	\$ 7,530	\$ 7,768		

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

CITY OF DEERFIELD, KANSAS  
Notes to Financial Statements  
For the Year Ended December 31, 2010

1. Summary of significant accounting policies

The City of Deerfield, Kansas, was incorporated under the provisions of the State of Kansas. The City operates under a Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture activities, public improvements, planning and zoning, and general administrative services. Other services include utilities.

A. Financial reporting entity

The City is governed by an elected five-member council and a mayor. These financial statements present the City of Deerfield (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The City has no organizations, functions or activities which are considered component units of the City.

B. Measurement focus, basis of accounting and basis of presentation

These financial statements are presented on a basis of accounting which demonstrates 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 recorded in the fund from which the transfer is made.

C. Waiver of financial reporting requirements

The City's Council has determined by resolution that financial statements prepared in conformity with generally accepted accounting principles are not relevant to the requirements of the cash basis and budget laws of the State of Kansas and are of no significant value to the Council, the City or the members of the general public of the City. The Council approved the resolution which served as notice of the Council's election to waive the requirements for reporting of its financial data in conformity with accounting principles generally accepted in the United States of America, as provided and authorized by K.S.A. 75-1120a.

D. 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 fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for 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, temporary notes and compensated absences are not presented in the financial statements.

CITY OF DEERFIELD, KANSAS  
Notes to Financial Statements  
For the Year Ended December 31, 2010

1. Summary of significant accounting policies (continued)

E. Fund 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 funds are used by the City:

Governmental Funds

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

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

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

Proprietary Funds

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

F. Cash and investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the City (except for investments in the Kansas Municipal Investment Pool). Cash includes amounts in demand deposits, time deposits and certificates of deposit. Investments of the pooled accounts consist primarily of investments with the Kansas Municipal Investment Pool and U.S. government securities carried at cost, which approximates market. Interest income earned, unless specifically designated, is allocated to the general fund.

G. Property taxes and special assessments

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

Taxes are assessed on a calendar year basis, are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1st of the ensuing year. One-half of the property taxes are due December 20th and distributed to the District by January

CITY OF DEERFIELD, KANSAS  
Notes to Financial Statements  
For the Year Ended December 31, 2010

1. Summary of significant accounting policies (continued)

G. Property taxes and special assessments (continued)

20th to finance a portion of the current year's budget. The second half is due May 10th and distributed to the City by June 5th. The City Treasurer draws available funds from the County Treasurer's office at designated times throughout the year.

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City. Special assessments received prior to or after the issuance of general obligation bonds are recorded as revenue in the appropriate project fund. Further, state statutes require levying additional general ad valorem property taxes in the Debt Service Fund to finance delinquent special assessments receivable.

H. Compensated absences

The City's policies regarding leave pay permits employees to accumulate vacation leave days at a maximum rate of 30 days per year with a carryover of 5 days. Employees accumulate sick leave days at a maximum rate of 12 days per year; no more than 90 sick leave days may be accumulated. The City has determined that \$1,386 of accumulated leave is payable at December 31, 2010.

I. Interfund transactions

Quasi-external transactions (i.e., transactions that would be treated as revenues or expenses if they involved organizations external to the governmental unit, such as internal service fund billings to departments) are accounted for as cash receipts or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

J. Reimbursements

A reimbursement is an expenditure or expense initially made in one fund, but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed by other funds. In accounting for such reimbursements, the City records an expenditure (or expense) in the reimbursing fund, and a reduction of expenditure (or expense) in the reimbursed fund, following the authoritative guidance of the *Governmental Accounting, Auditing and Financial Reporting*.

K. Memorandum totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. No consolidated financial information is presented nor is all required disclosures presented for these amounts.

L. Comparative data

The statutory basis financial statements include certain prior year comparative information in order to provide an understanding of the changes in the cash receipts and expenditures of the funds, but not at the level of detail required for a presentation in conformity with the statutory basis of accounting. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

CITY OF DEERFIELD, KANSAS  
Notes to Financial Statements  
For the Year Ended December 31, 2010

2. Stewardship, compliance and accountability

A. 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:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended December 31, 2010.

The legal level of budgetary control is the fund level. 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 modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, fiduciary fund, permanent funds and certain special revenue funds. 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. Special revenue funds of the City controlled by the spending limits established by the governing body include the Shriver Development fund.

B. Compliance with Kansas statutes

References made herein to the statutes are not intended as interpretation of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and the legal representative of the City. No known material violations occurred during 2010.

CITY OF DEERFIELD, KANSAS  
Notes to Financial Statements  
For the Year Ended December 31, 2010

3. Detailed notes on all funds

A. Deposits and investments

A reconciliation of cash and investments as shown in the composition of cash on the summary of cash receipts, expenditures and unencumbered cash on Statement 1 is as follows:

Cash on hand	\$	250
Carrying amount of deposits		567,082
Total cash	\$	567,332

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 does not use designated "peak periods".

At December 31, 2010, the City's carrying amount of deposits was \$567,082 and the bank balance was \$583,684. Of the bank balance, 100% of the balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$352,515 was covered by federal depository insurance, and the balance of \$231,169 was collateralized with securities held by the pledging financial institutions' agents in the City's name. The City's cash deposits by financial institution at December 31, 2010, are as follows:

	Kearny County Bank	Plains State Bank
FDIC coverage	\$ 250,949	\$ 101,566
Pledged securities at market value	272,970	212,868
Total coverage	\$ 523,919	\$ 314,434
Funds on deposit	\$ 482,118	\$ 101,566
Funds at risk	\$ -	\$ -

CITY OF DEERFIELD, KANSAS  
Notes to Financial Statements  
For the Year Ended December 31, 2010

3. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Credit risk - investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments of this type at December 31, 2010.

B. Interfund transfers between funds

Interfund operating transfers are as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	
General	Machinery and Equipment	12-1117	\$ 10,000
Water Utility	Machinery and Equipment	12-825d	20,000
Water Utility	Water Depreciation Reserve	12-825d	30,000
Water Utility	Bond and Interest	12-825d	27,995
Water Depreciation Reserve	Water Utility	12-825d	20,000
Sewer Utility	Sewer Pond Reserve	12-825d	5,000
Refuse Utility	Machinery and Equipment	12-825d	<u>25,000</u>
Total			<u>\$ 137,995</u>

C. Capital projects in process

Capital project authorizations with approved change orders compared to expenditures from inception at December 31, 2010, are as follows:

	<u>Project Authorization</u>	<u>Disbursements and Accounts Payable to Date</u>	<u>Committed</u>
Crack sealing project	\$ 21,641	\$ 21,641	\$ -

CITY OF DEERFIELD, KANSAS  
Notes to Financial Statements  
For the Year Ended December 31, 2010

3. Detailed notes on all funds (continued)

D. Long-term debt

Changes in long-term liabilities for the City for the year ended December 31, 2010, were as follows:

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

	Date of Issue	Maximum Rate	Date of Final Maturity	Amount of Issue	Balance 1/1/10	Additions	Reductions/ Payments	Net Change	Balance 12/31/10	Interest Paid
General obligation bonds payable:										
Water System improvement, 2003	06/15/03	3.90%	06/01/18	\$ 350,000	\$ 230,000	\$ -	\$ 20,000		\$ 210,000	\$ 7,995
Temporary notes payable:										
Improvement, Series A	04/15/06	4.50%	10/15/10	66,000	9,000	-	9,000		-	203
Capital lease obligations payable:										
Refuse truck	04/04/06	4.67%	04/04/13	105,276	56,881	-	15,325		41,556	2,480
Employee compensated absences payable:										
Accrued vacation, net change					2,264			\$ (878)	1,386	
Total general long-term debt				\$ 521,276	\$ 298,145	\$ -	\$ 44,325	\$ (878)	\$ 252,942	\$ 10,678

	Year						Total
	2011	2012	2013	2014	2015	2016-2018	
Principal:							
General obligation bonds payable	\$ 20,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 90,000	\$ 210,000
Capital leases payable	16,049	16,807	8,700	-	-	-	41,556
Total principal	36,049	41,807	33,700	25,000	25,000	90,000	251,556
Interest:							
General obligation bonds	7,395	6,685	5,872	4,972	3,998	5,265	34,187
Capital lease obligations	1,755	997	202	-	-	-	2,954
Total interest	9,150	7,682	6,074	4,972	3,998	5,265	37,141
Total principal and interest	\$ 45,199	\$ 49,489	\$ 39,774	\$ 29,972	\$ 28,998	\$ 95,265	\$ 288,697

Legal debt margin

The debt limit per K.S.A. 10-308 is thirty percent of the assessed tangible valuation of the City adjusted for exempt farm property, business aircraft and motor vehicles given by the County Assessor to the County Clerk on August 25th each year. Per K.S.A. 10-309, certain bond issues are not subject to the bonded indebtedness limitation; these include the refunding bonds and the limited obligation bonds issued for the purpose of acquiring, enlarging, extending or improving any municipal utility; or to pay the cost of improvements to intersections of streets and alleys or that portion of any street immediately in front of city or school district property. The amount of debt outstanding does not exceed the statutory limit.

4. Other information

A. 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. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

CITY OF DEERFIELD, KANSAS  
Notes to Financial Statements  
For the Year Ended December 31, 2010

4. Other information (continued)

B. Post-employment health care benefits

As provided by K.S.A. 12-5040, the local City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

C. Defined benefit pension plan

Plan description: The City of Deerfield, Kansas, 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 66603-3869) or by calling 1-888-275-5737.

Funding policy: K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at up to 6% 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 by statute for calendar year 2010 is 7.14%. The City's contributions to KPERS for the years ending December 31, 2010, 2009 and 2008, were \$15,154, \$13,391, and \$12,523, respectively, equal to the required contributions for each year as set forth by the legislature.

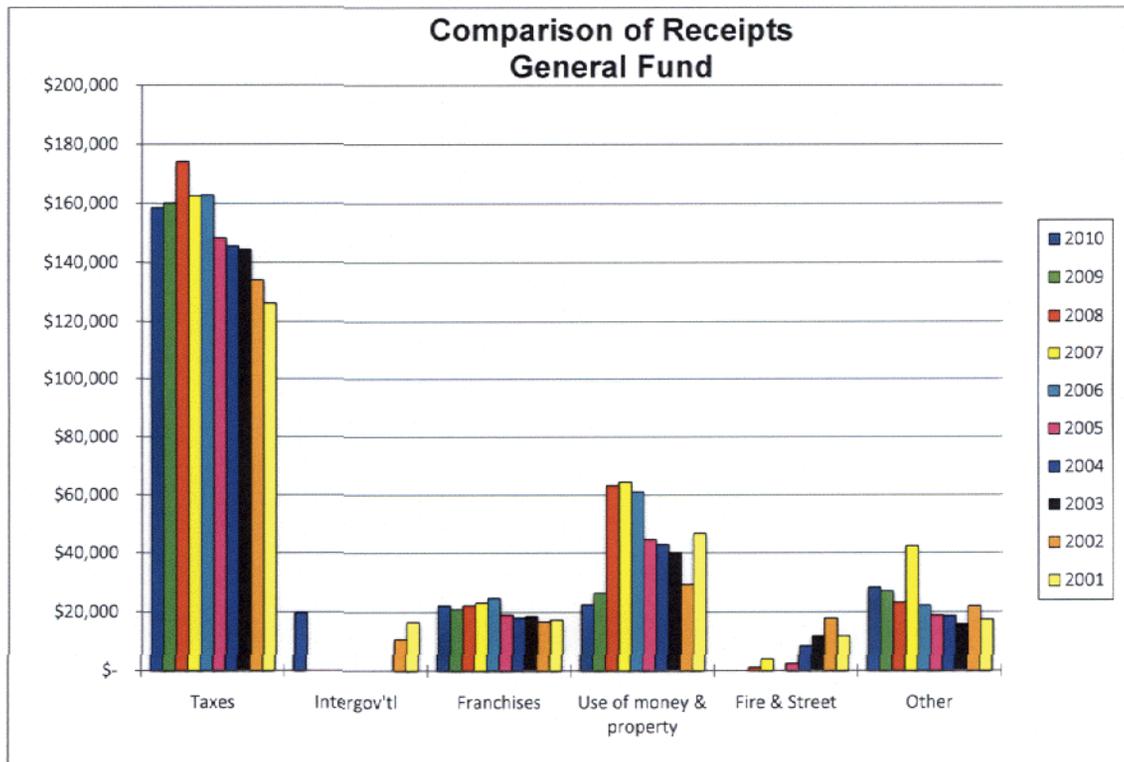
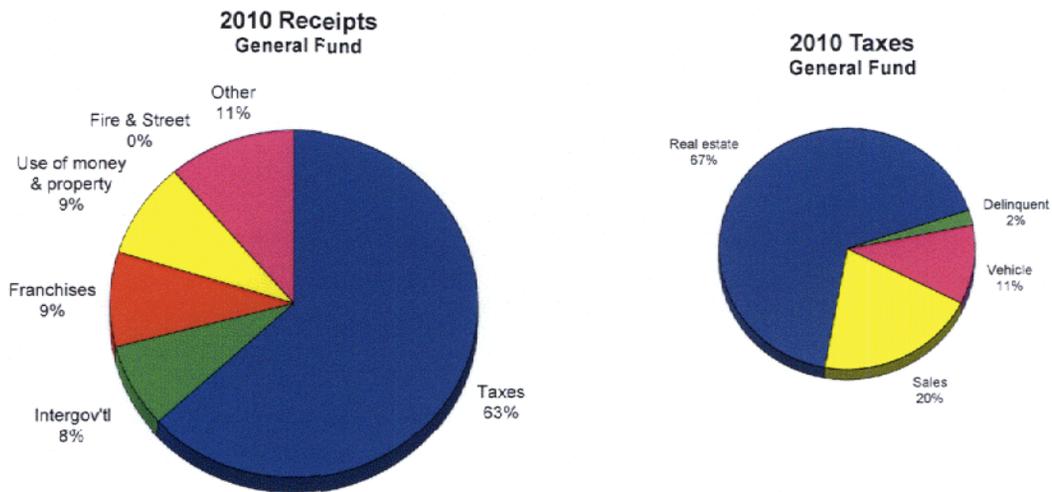
D. Related party transactions

The City employs two individuals related to Council members. The City paid wages of \$41,833 to these related parties during the year ended December 31, 2010. Benefits paid on these wages totaled \$16,195.

Subsequent to year end, the City exchanged like-kind property of equal value with a Council member.

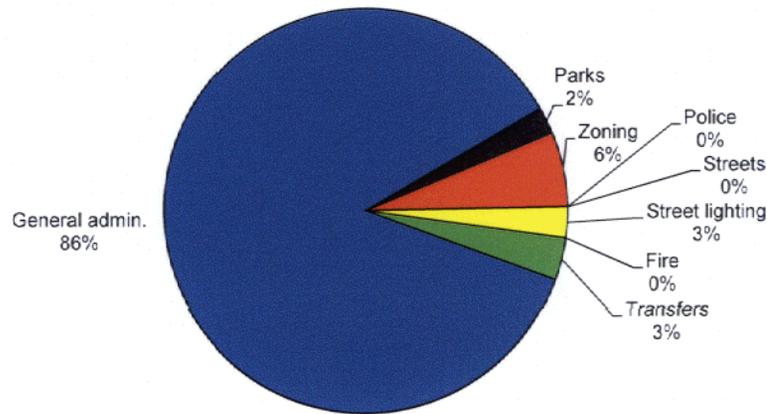
SUPPLEMENTAL SCHEDULES

CITY OF DEERFIELD, KANSAS  
 Receipts - General Fund  
 For the Year Ended December 31

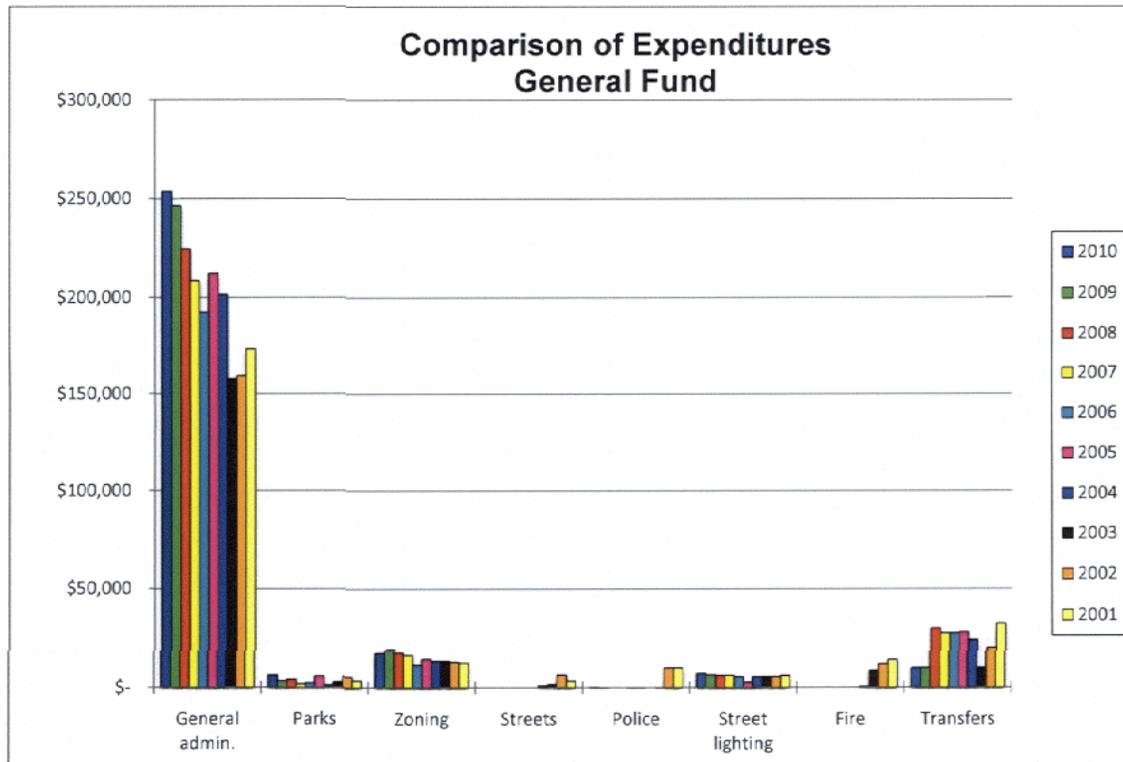


CITY OF DEERFIELD, KANSAS  
 Expenditures - General Fund  
 For the Year Ended December 31

2010 Expenditures  
 General Fund



Comparison of Expenditures  
 General Fund



CITY OF DEERFIELD, KANSAS  
Comparison of Receipts and Expenditures - General Fund  
For the Year Ended December 31

