

CITY OF ALMENA, KANSAS
Almena, Kansas
Independent Audit Report
January 1, 2009 to December 31, 2009

MAPES & MILLER
Certified Public Accountants
Norton, Kansas

CITY ALMENA, KANSAS
Financial Statements
January 1, 2009 to December 31, 2009

TABLE OF CONTENTS

FINANCIAL SECTION

Page
Number

Independent Auditor's Report	1
STATEMENT 1	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	3
STATEMENT 2	
Summary of Expenditures - Actual and Budget	4
STATEMENT 3	
Statement of Cash Receipts and Expenditures – Actual and Budget	
General	5
Library	6
Special Highway	7
Water and Sewer Utility	8
Solid Waste	9
Statement of Cash Receipts and Expenditures – Actual	
Capital Improvement	10
Crime Reward	10
Equipment Reserve	10
Solid Waste Reserve	10
Water Reserve	10
STATEMENT 4	
Summary of Cash Receipts and Cash Disbursements – Agency Funds	11
Notes to the Financial Statements	12

MAPES & MILLER

CERTIFIED PUBLIC ACCOUNTANTS

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

Members of American Institute of Certified Public Accountants
and the Kansas Society of Certified Public Accountants

JOHN D. MAPES, CPA
DENIS W. MILLER, CPA

THOMAS CARPENTER, CPA
DON TILTON, CPA

INDEPENDENT AUDITOR'S REPORT

418 E. Holme
Norton, KS 67654-1412
(785) 877-5833
FAX - (785) 877-5442
email - mmcpas@ruraltel.net

711 3rd Street
P.O. Box 266
Phillipsburg, KS 67661-0266
(785) 543-6561
FAX - (785) 543-6563
email - mmpburg@ruraltel.net

503 Main St.
P.O. Box 508
Stockton, KS 67669-0508
(785) 425-6764
FAX - (785) 425-6765
email - mmstkn@ruraltel.net

230 Main St.
P.O. Box 412
Quinter, KS 67752-0412
(785) 754-2111
FAX - (785) 754-2112
email - mapes@ruraltel.net

117 N. Main St.
P.O. Box 73
WaKeeney, KS 67672-0073
(785) 743-5512
FAX - (785) 743-5513
email - mapeswak@ruraltel.net

306 N. Pomeroy
Hill City, KS 67642-1720
(785) 421-2163
FAX - (785) 421-2164
email - mapeshc@ruraltel.net

Honorable Mayor and City Council
City of Alma, Kansas
Alma, Kansas 67622

We have audited the accompanying financial statements of the City of Alma, Kansas, as of and for the year ended December 31, 2009, which collectively comprise the basic financial statements of the City's primary government, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As described more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

Honorable Mayor and City Council
City of Alma, Kansas
Page Two

In our opinion, because of the omission of the component units, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2009, or the changes in its financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the primary government of the City of Alma, Kansas, as of December 31, 2009, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

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

Mapes & Miller

Certified Public Accountants

Norton, Kansas
December 7, 2010

CITY OF ALMENA, KANSAS

STATEMENT 1

Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2009

Funds	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General Fund	\$ 73,775	0	156,019	141,258	88,536	0	88,536
Special Revenue Funds:							
Library	121	0	8,848	8,600	369	0	369
Special Highway	59,972	0	10,766	38,121	32,617	0	32,617
Capital Improvement	79,738	0	11,419	0	91,157	0	91,157
Equipment Reserve	41,149	0	20,000	19,749	41,400	0	41,400
Crime Reward	558	0	3	0	561	0	561
Proprietary Type Funds:							
Enterprise Funds:							
Solid Waste	22,593	0	46,037	49,703	18,927	0	18,927
Solid Waste Reserve	4,029	0	19	0	4,048	0	4,048
Water and Sewer Utility	96,404	0	110,348	129,667	77,085	0	77,085
Water Reserve	51,414	0	10,294	0	61,708	0	61,708
Total Reporting Entity (Excluding Agency Funds)	\$ 429,753	0	373,753	387,098	416,408	0	416,408

Composition of Cash:	
Checking	\$ 289,784
Savings	66,317
CD's	64,157
Cash on Hand	100
Total Cash	<u>420,358</u>
Agency Funds per Statement 4	<u>(3,950)</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 416,408</u>

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

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

STATEMENT 2

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance- Over (Under)
Governmental Type Funds:					
General Fund	\$ 186,870	1,515	188,385	141,258	(47,127)
Special Revenue Funds:					
Library	8,600	402	9,002	8,600	(402)
Special Highway	38,121	0	38,121	38,121	0
Proprietary Type Funds:					
Enterprise Funds:					
Solid Waste	49,705	0	49,705	49,703	(2)
Water and Sewer Utility	175,059	0	175,059	129,667	(45,392)

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

CITY OF ALMENA, KANSAS

STATEMENT 3

General Fund

Page 1

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

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
Cash Receipts			
Taxes and Shared Revenue:			
Ad Valorem Property Tax	\$ 70,428	72,968	(2,540)
Delinquent Tax	1,707	0	1,707
Motor Vehicle Tax	18,118	16,265	1,853
16/20 Vehicle Tax	588	260	328
Recreational Vehicle Tax	461	271	190
Machine & Equipment State Aid	746	0	746
Slider Tax	2	0	2
Sales Tax	41,090	40,000	1,090
Utility Franchise Fees	14,710	9,700	5,010
Licenses, Permits and Fees	260	500	(240)
Building Rent	450	600	(150)
Interest	794	3,000	(2,206)
Miscellaneous	5,150	100	5,050
Reimbursements	1,515	0	1,515
	<u>156,019</u>	<u>143,664</u>	<u>12,355</u>
Total Cash Receipts			
Expenditures			
General & Administrative:			
Personal Services	22,639	25,000	(2,361)
Employee Benefits	14,052	12,000	2,052
Contractual Services	37,910	55,000	(17,090)
Commodities	22,239	29,000	(6,761)
Capital Outlay	212	10,000	(9,788)
Street Lights	6,323	8,000	(1,677)
Street Repairs	3,073	10,000	(6,927)
Public Safety			
Personal Services	2,700	3,500	(800)
Employee Benefits	207	0	207
Parks	0	1,000	(1,000)
Miscellaneous	1,903	3,370	(1,467)
Operating Transfers:			
Transfer to Equipment Reserve	20,000	20,000	0
Transfer to Capital Improvement	10,000	10,000	0
Adjustment for Qualifying Budget Credits:			
Reimbursed Expenses		1,515	(1,515)
	<u>141,258</u>	<u>188,385</u>	<u>(47,127)</u>
Total Expenditures			
Cash Receipts Over (Under) Expenditures	14,761		
Unencumbered Cash, Beginning	<u>73,775</u>		
Unencumbered Cash, Ending	<u>\$ 88,536</u>		

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

CITY OF ALMENA, KANSAS

Library Fund

STATEMENT 3

Page 2

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

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
Cash Receipts			
Taxes and Shared Revenue:			
Ad Valorem Property Tax	\$ 4,008	4,282	(274)
Delinquent Tax	97	0	97
Motor Vehicle Tax	1,040	938	102
16/20 Vehicle Tax	33	15	18
Recreational Vehicle Tax	26	16	10
Machine & Equipment State Aid	42	0	42
Reimbursements	<u>3,602</u>	<u>3,200</u>	<u>402</u>
Total Cash Receipts	<u>8,848</u>	<u>8,451</u>	<u>397</u>
Expenditures			
Personal Services	3,568	3,100	468
Employee Benefits	273	500	(227)
Appropriations	4,759	5,000	(241)
Adjustment for Qualifying Budget Credits:			
Reimbursed Expenses		<u>402</u>	<u>(402)</u>
Total Expenditures	<u>8,600</u>	<u>9,002</u>	<u>(402)</u>
Cash Receipts Over (Under) Expenditures	248		
Unencumbered Cash, Beginning	<u>121</u>		
Unencumbered Cash, Ending	<u>\$ 369</u>		

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

CITY OF ALMENA, KANSAS

Special Highway Fund

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

STATEMENT 3

Page 3

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
Cash Receipts			
Taxes and Shared Revenue:			
State Gas Tax	\$ 10,766	<u>13,290</u>	<u>(2,524)</u>
Expenditures			
Street Repairs	<u>38,121</u>	<u>38,121</u>	<u>0</u>
Cash Receipts Over (Under) Expenditures	(27,355)		
Unencumbered Cash, Beginning	<u>59,972</u>		
Unencumbered Cash, Ending	<u>\$ 32,617</u>		

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

CITY OF ALMENA, KANSAS

Water and Sewer Utility Fund

STATEMENT 3

Page 4

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

	Actual	Budget	Variance- Over (Under)
Cash Receipts			
Collections	\$ 110,348	125,000	(14,652)
Connection Fees	0	1,000	(1,000)
Miscellaneous	0	500	(500)
	<u>110,348</u>	<u>126,500</u>	<u>(16,152)</u>
Total Cash Receipts			
Expenditures			
Personal Services	20,892	25,000	(4,108)
Employee Benefits	1,598	0	1,598
Contractual	9,495	50,000	(40,505)
Commodities	14,802	12,000	2,802
Capital Outlay	0	0	0
Principal	41,038	43,000	(1,962)
Interest	31,461	32,000	(539)
Taxes	381	3,000	(2,619)
Miscellaneous	0	59	(59)
Transfer to Water Reserve	10,000	10,000	0
	<u>129,667</u>	<u>175,059</u>	<u>(45,392)</u>
Total Expenditures			
Cash Receipts Over (Under) Expenditures	(19,319)		
Unencumbered Cash, Beginning	<u>96,404</u>		
Unencumbered Cash, Ending	<u>\$ 77,085</u>		

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

CITY OF ALMENA, KANSAS

Solid Waste Fund

STATEMENT 3

Page 5

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

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
Cash Receipts			
Collections	\$ 46,037	40,000	6,037
Expenditures			
Personal Services	32,219	24,000	8,219
Employee Benefits	2,402	2,000	402
Contractual	13,189	15,000	(1,811)
Commodities	1,893	3,000	(1,107)
Capital Outlay	0	5,000	(5,000)
Miscellaneous	0	705	(705)
Total Expenditures	<u>49,703</u>	<u>49,705</u>	<u>(2)</u>
Cash Receipts Over (Under) Expenditures	(3,666)		
Unencumbered Cash, Beginning	<u>22,593</u>		
Unencumbered Cash, Ending	<u>\$ 18,927</u>		

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

CITY OF ALMENA, KANSAS
 Any Nonbudgeted Funds
 Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2009

STATEMENT 3
 Page 6

	Capital Improvement	Crime Reward	Equipment Reserve	Solid Waste Reserve	Water Reserve
Cash Receipts					
Interest	\$ 1,419	3	0	19	294
Transfer from General	10,000	0	20,000	0	0
Transfer from Water and Sewer Utility	0	0	0	0	10,000
Total Cash Receipts	11,419	3	20,000	19	10,294
Expenditures					
Capital Outlay	0	0	19,749	0	0
Rewards	0	0	0	0	0
Total Expenditures	0	0	19,749	0	0
Cash Receipts Over (Under) Expenditures	11,419	3	251	19	10,294
Unencumbered Cash, Beginning	79,738	558	41,149	4,029	51,414
Unencumbered Cash, Ending	\$ 91,157	561	41,400	4,048	61,708

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

CITY OF ALMENA, KANSAS

STATEMENT 4

Agency Funds

Summary of Cash Receipts and Cash Disbursements
For the Year Ended December 31, 2009

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Utility Deposits	<u>\$ 3,425</u>	<u>2,375</u>	<u>1,850</u>	<u>3,950</u>

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

CITY OF ALMENA, KANSAS
Notes to the Financial Statements
December 31, 2009

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Almaena, Kansas operates as a third class city in accordance with the laws of the state of Kansas. The City is governed by an elected mayor and a five-member council and provides the following services: public safety, highways and streets, water and sewer, sanitation, culture and recreation, planning and zoning, public improvements and general administrative services.

The financial statements of the City consist only of the funds of the City (the primary government). The City has oversight responsibility for other governmental entities (component units) since these other entities are considered to be controlled by, or dependent on, the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing boards.

The following have been determined to be component units of the City and are not presented in the financial statements. Accordingly, these financial statements present the activity of the primary government only and are not a complete presentation in accordance with generally accepted accounting principles.

Almena Public Library. The Almena Public Library operates a municipal public library for the City of Almaena. A seven-member board of trustees is appointed by the City Council to oversee the operation. The City annually levies a tax for the operation of the Library and also provides the facilities. The City can also issue bonded debt for the benefit of the Library. The Library Board must obtain the approval for the acquisition or disposal of real property from the City Council. Unaudited financial reports for the Almena Public Library may be obtained from the Head Librarian, 415 Main Street, Almaena, Kansas 67622.

Housing Authority of the City of Almaena. The Housing Authority of the City of Almaena operates the city's public housing facilities. The Housing Authority can sue and be sued, and can buy, sell or lease real property. A five-member board is appointed by the City Council to oversee the operation. The Housing Authority must obtain approval from the City Council for bond issuances. Unaudited financial reports for the Housing Authority of the City of Almaena may be obtained from the Executive Director, Almaena Housing Authority, 304 Van Horn, Almaena, KS 67622.

Fund Accounting

The accounts of the City are organized and operated using funds. 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.

Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental Funds:

General Fund – To account for all unrestricted financial resources except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditures for specific purposes.

Proprietary Funds:

Enterprise Funds – To account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs (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 where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds:

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

Reimbursements

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party or fund. The City of Alma, Kansas records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

Basis of Accounting

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.

The municipality 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 municipality to use 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, 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 generally accepted accounting principles, 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 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.

Ad Valorem Tax Revenues and Property Taxes Receivable. The determination of assessed valuations and the collection of property taxes for all political subdivisions in the state of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations based on real estate transactions recorded by the Register of Deeds and personal property transactions reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the County.

In accordance with state statutes, property taxes levied during the current year a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st of each year. One-half of the property tax is due December 20th prior to the fiscal year for which they are budgeted, and the second half is due the following May 20th. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and therefore are not susceptible to accrual.

Undistributed taxes from the prior year levy are accrued and recognized as income in the current year. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the accounting period and, further, the amounts are immaterial in relationship to the financial statements taken as a whole.

Inventories and Prepaid Expenses. Inventories and prepaid expenses that benefit future periods are recorded as expenditures during the year of purchase as required by state statutes.

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
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 such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality 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 projects funds, trust funds, utility reserve funds, and the following Special revenue funds: Equipment Reserve Fund, Crime Reward Fund and Capital Improvement Fund.

Spending in funds that 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.

Compliance with Kansas Statutes. Management is not aware of any items of noncompliance with Kansas Statutes.

3. Deposits and Investments

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

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City’s funds have a main or branch bank in the county in which the municipality is located and the banks provide an acceptable rate of return on the funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City’s investment of idle funds to time deposits, open accounts, U.S. government securities, repurchase agreements, temporary notes, no-fund warrants, the Kansas Municipal Investment Pool and certificates of deposit with maturities of not more than two years. The City has no investment policy that would further limit its investments choices

Concentration of credit risk. The 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’s designated “peak periods” are from January 15 to March 16 and from June 15 to August 14. All deposits were legally secured at December 31, 2008.

At December 31, 2009 the carrying amount of the city’s deposits was \$420,258 and the bank balance was \$422,456. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance \$422,456 was covered by federal depository insurance.

4. Interfund Transfers

Operating transfers were as follows:

From	To	Authority	Amount
General	Equipment Reserve	K.S.A. 12-1,117	\$ 20,000
General	Capital Improvement	K.S.A. 12-1,118	9,000
Water and Sewer Utility	Water Reserve	K.S.A. 12-825(d)	10,000

5. 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; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in prior years.

6. Defined Benefit Pension Plan

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

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate of 4% of covered salary. The 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 bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2009 is 6.14%. The City employer contributions to KPERS for the years ending December 31, 2009, 2008, and 2007 were \$3,155, \$2,637, and \$2,720, respectively, equal to the required contributions for each year.

7. Compensated Absences

Vacation Leave. Each full-time employee earns six hours of vacation pay per month and is allowed to carry over up to twenty-four hours to the next year. Any unused accumulated vacation hours that are not carried over to the next year are forfeited. The cost of accumulated vacation pay as of December 31, 2009 was \$568.

Sick Leave. Full-time City employees earn eight hours of sick leave for each calendar month worked. An employee may accumulate up to 168 hours of sick leave. The cost of accumulated sick leave is not payable upon separation from service and therefore was not recorded or estimated as of December 31, 2009.

8. Long-term Debt

Changes in long-term liabilities for the City of Almaena, Kansas for the year ended December 31, 2009, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
KDHE Loans:										
Water Pollution Control System	3.08%	04/24/01	426,500	03/01/23	331,356	0	18,441		312,915	10,065
Public Water System	3.90%	09/02/04	615,500	08/01/25	554,205	0	22,596		531,609	21,396
Total Contractual Indebtedness					<u>885,561</u>	<u>0</u>	<u>41,037</u>		<u>844,524</u>	<u>31,461</u>
Compensated Absences:										
Vacation Pay	N/A	N/A	N/A	N/A	354			214	568	
Total Long-Term Debt					<u>\$ 885,915</u>	<u>0</u>	<u>41,037</u>	<u>214</u>	<u>845,092</u>	<u>31,461</u>

Current maturities of long-term debt for the City of Almaena, Kansas through maturity are as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015-2019</u>	<u>2020-2024</u>	<u>2025-2029</u>	<u>Total</u>
PRINCIPAL									
KDHE Loans:									
Water Pollution Control System	19,014	19,604	20,212	20,840	21,486	117,860	93,899	0	312,915
Public Water System	23,486	24,411	25,372	26,371	27,410	154,116	186,947	63,496	531,609
TOTAL PRINCIPAL	<u>42,500</u>	<u>44,015</u>	<u>45,584</u>	<u>47,211</u>	<u>48,896</u>	<u>271,976</u>	<u>280,846</u>	<u>63,496</u>	<u>844,524</u>
INTEREST									
KDHE Loans:									
Water Pollution Control System	9,492	8,902	8,294	7,667	7,020	24,672	5,873	0	71,920
Public Water System	20,506	19,581	18,620	17,621	16,582	65,844	29,012	2,492	190,258
TOTAL INTEREST	<u>29,998</u>	<u>28,483</u>	<u>26,914</u>	<u>25,288</u>	<u>23,602</u>	<u>90,516</u>	<u>34,885</u>	<u>2,492</u>	<u>262,178</u>
TOTAL PRINCIPAL AND INTEREST	<u>72,498</u>	<u>72,498</u>	<u>72,498</u>	<u>72,499</u>	<u>72,498</u>	<u>362,492</u>	<u>315,731</u>	<u>65,988</u>	<u>1,106,702</u>