

City of Argonia, Kansas

Annual Financial Report

December 31, 2008

Kenneth L. Cooper, Jr., CPA

Certified Public Accountant

Wellington, Kansas

City of Argonia, Kansas
Statutory Basis Financial Statements
Year Ended December 31, 2008

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Argonia
Argonia, Kansas

I have audited the accompanying primary government financial statements of the City of Argonia, Kansas, as of and for the year ended December 31, 2008, and the individual fund statements for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

The financial statements do not include financial data for the City's discretely presented component unit. 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. Because of this departure from accounting principles, the cash and unencumbered cash, revenues received and expenditures incurred by the aggregate discretely presented component units have been omitted from these statements, and although not reasonably determinable, are presumed to be material.

As described more fully in Note 1, the City has prepared these financial statements using accounting practices prescribed by the State of Kansas that demonstrates 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 practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In my opinion, because of the effects of the matters discussed in the preceding two paragraphs, 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, 2008, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

In my opinion, the primary government financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Argonia, Kansas, as of December 31, 2008, and the revenues it received and expenditures it incurred for the years ended December 31, 2008 and 2007 (individual funds only) on the basis of accounting described in Note 1.

Certified Public Accountant

September 2, 2009

City of Argonia, Kansas
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2008

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances/ Accounts Pay.</u>	<u>Ending Cash Balance</u>
General	\$ 85,582	\$ 211,230	\$ 199,450	\$ 97,362	\$ 3,353	\$ 100,715
Special Revenue Funds:						
Special Highway	63,393	13,948	26,406	50,935		50,935
Equipment Reserve	22,618	40,750	-	63,368	-	63,368
Vera M Linn Cemetery						
Memorial Fund	71,411	2,543	3,900	70,054	-	70,054
Park Trust	12,354	14,726	20,080	7,000	1,425	8,425
Cemetery Building	2,219	71	-	2,290	-	2,290
FEMA Fund	-	-	-	-	-	-
Debt Service Funds:						
Bond & Interest	18,214	39,046	37,948	19,312	-	19,312
Capital Project Funds:						
Capital Improvements	6,178	-	-	6,178	-	6,178
Enterprise Funds:						
Water and Sewer Utility	94,557	151,486	117,125	128,918	14,903	143,821
Gas Utility	23,834	287,682	277,460	34,056	19,530	53,586
Ambulance	17,291	31,352	23,845	24,798	169	24,967
Cemetery	7,044	15,435	20,599	1,880	3,748	5,628
Solid Waste Utility	56,472	45,814	45,382	56,903	2,773	59,676
Total primary government	<u>\$ 481,167</u>	<u>\$ 854,083</u>	<u>\$ 772,195</u>	<u>\$ 563,055</u>	<u>\$ 45,901</u>	<u>\$ 608,956</u>

City of Argonia, Kansas
Summary of Cash Receipts, Cash Disbursements and Unencumbered Cash
For the Year Ended December 31, 2008

Composition of Cash Balance:

Cash on hand, city Clerk	\$	150
Cash in checking account:		
Farmers & Merchants State Bank, Argonia		
Operating account		409,316
Cemetery Building account		2,290

Certificates of Deposit

Farmers & Merchants State Bank, Argonia:

	<u>Rate</u>	<u>Maturity</u>	
CD #22718	2.000%	3/18/2009	5,000
CD #22719	2.000%	3/18/2009	5,000
CD #7731	2.350%	3/10/2010	5,000
CD #7733	2.350%	3/10/2010	5,000
CD #22173	2.650%	10/3/2009	2,200
CD #6886	3.059%	6/1/2010	5,000
CD #21830	2.500%	7/24/2009	100,000
CD #23588	3.250%	3/14/2009	<u>70,000</u>

Total primary government	\$	<u>608,956</u>
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City of Argonia, Kansas
Summary of Expenditures--Actual and Budget
(Budgeted Funds Only)
For the Year Ending December 31, 2008

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Favorable/ (Unfavorable)</u>
General	\$ 229,550	\$ -	\$ 229,550	\$ 199,450	\$ 30,100
Special Revenue Funds					
Special Highway	110,000	-	110,000	26,406	83,594
Vera M Linn Cemetery Memorial Fund	4,000	-	4,000	3,900	100
Park Trust	25,000	-	25,000	20,080	4,920
Debt Service Funds:					
Bond & Interest	57,960	-	57,960	37,948	20,012
Enterprise Funds:					
Water and Sewer Utility	175,200	-	175,200	117,125	58,075
Gas Utility	301,100	-	301,100	277,460	23,640
Ambulance	43,800	-	43,800	23,845	19,955
Cemetery	23,100	-	23,100	20,599	2,501
Solid Waste Utility	55,000	-	55,000	45,382	9,618
 Total primary government	 <u>\$ 1,024,710</u>	 <u>\$ -</u>	 <u>\$ 1,024,710</u>	 <u>\$ 772,195</u>	 <u>\$ 252,515</u>

City of Argonia, Kansas
General Fund

Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget
Years Ended December 31, 2008 and 2007

	2007 Actual	2008		Variance- Favorable/ 'Unfavorable'
		Actual	Budget	
<u>Cash Receipts and Transfers</u>				
Taxes and Shared Revenue:				
Ad valorem property tax	\$ 58,399	\$ 99,026	\$ 90,035	\$ 8,991
Less: Revitalization rebates	(500)	(511)	-	(511)
Delinquent taxes	2,482	3,211	-	3,211
Motor vehicle tax	19,607	15,376	15,214	162
Recreational vehicle & 16/20M tax	789	562	439	123
Special assessments	200	100	-	100
Local sales tax	30,509	30,737	30,000	737
Franchise taxes	22,215	22,130	23,000	(870)
Sumner County Road & Bridge	6,000	6,000	6,000	-
Licenses, fines and permits:				
Licenses and permits	750	370	500	(130)
Fines and court fees	375	358	-	358
Interest earnings	8,775	5,567	5,000	567
Other revenues:				
Swimming pool revenue	13,361	14,295	11,000	3,295
Miscellaneous revenues	5,304	-	-	-
Other grants	2,000	4,912	2,000	2,912
Streets & parks	1,155	9,097	-	9,097
Operating transfers in	-	-	-	-
Total receipts and operating transfers	<u>171,421</u>	<u>211,230</u>	<u>183,188</u>	<u>28,042</u>

City of Argonia, Kansas
General Fund

Statement 3

Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget
Years Ended December 31, 2008 and 2007

	2008			
2007	Actual	Budget	Variance- Favorable/ (Unfavorable)	
<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Unfavorable)</u>	
<u>Expenditures and Transfers Subject to Budget</u>				
Administration				
Personal services	\$ 35,143	\$ 27,340	\$ 34,000	\$ 6,660
Employee benefits	7,620	7,314	10,000	\$ 2,686
Contractual	7,576	8,309	8,000	(309)
Commodities	1,987	2,572	1,500	(1,072)
Capital outlay	-	453	2,000	1,547
Police				
Personal services	24,120	33,332	34,000	668
Employee benefits	1,873	3,649	5,000	1,351
Contractual	6,124	7,189	5,000	(2,189)
Commodities	4,659	6,998	4,000	(2,998)
Capital outlay	1,580	453	2,000	1,547
Fire				
Contractual	4,289	5,665	4,500	(1,165)
Commodities	488	1,700	2,000	300
Capital outlay	-	-	-	-
Principal	4,619	-	-	-
Interest	116	-	-	-
Street and Park				
Contractual	14,025	12,964	18,000	5,036
Commodities	6,897	7,076	6,000	(1,076)
Capital outlay	-	10,953	25,000	14,047
Pool				
Personal services	6,967	7,267	10,000	2,733
Employee benefits	546	556	800	244
Contractual	6,044	6,049	6,000	(49)
Commodities	8,758	8,861	11,000	2,139
Capital outlay	-	10,000	10,000	-
Non-departmental				
Capital outlay-equipment				-
Operating transfers out	20,000	30,750	30,750	-
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures and transfers subject to budget	<u>\$ 163,431</u>	<u>\$ 199,450</u>	<u>\$ 229,550</u>	<u>\$ 30,100</u>
Revenue over (under) expenditures	\$ 7,990	\$ 11,780		
Unencumbered cash balance, beginning	<u>77,592</u>	<u>85,582</u>		
Unencumbered cash balance, ending	<u>\$ 85,582</u>	<u>\$ 97,362</u>		

See accompanying notes.

City of Argonia, Kansas
Special Revenue Fund
Special Highway Fund

Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget

Years Ended December 31, 2008 and 2007

	2007	2008		Variance-
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Favorable/ (Unfavorable)
<u>Cash Receipts and Transfers</u>				
State payments	\$ 14,578	13,948	\$ 14,860	\$ (912)
				-
Total receipts and transfers	<u>\$ 14,578</u>	<u>\$ 13,948</u>	<u>\$ 14,860</u>	<u>\$ (912)</u>
<u>Expenditures and Transfers Subject to Budget</u>				
Contractual Services	\$ 27,773	\$ -	\$ -	\$ -
Commodities	7,377	24,251	5,000	(19,251)
Capital outlay	-	1,225	105,000	103,775
Street Repair and Maint	-	930	-	(930)
				-
Total expenditures and transfers subject to budget	<u>\$ 35,150</u>	<u>\$ 26,406</u>	<u>\$ 110,000</u>	<u>\$ 83,594</u>
Revenue over (under) expenditures	\$ (20,572)	\$ (12,458)		
Unencumbered cash balance, beginning	<u>83,965</u>	<u>63,393</u>		
Unencumbered cash balance, ending	<u>\$ 63,393</u>	<u>\$ 50,935</u>		

City of Argonia, Kansas
Special Revenue Fund
Equipment Reserve Fund
Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual
Years Ended December 31, 2008 and 2007

	2007 <u>Actual</u>	2008 <u>Actual</u>
<u>Cash Receipts and Transfers</u>		
Operating transfer from:		
General fund	\$ 20,000	\$ 30,750
Water and sewer fund	-	-
Gas fund	-	-
Solid waste fund	-	<u>10,000</u>
	<u>\$ 20,000</u>	<u>\$ 40,750</u>
 <u>Expenditures and Transfers</u>		
Capital outlay:	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>
Revenue over (under) expenditures	\$ 20,000	\$ 40,750
Unencumbered cash balance, beginning	<u>2,618</u>	<u>22,618</u>
Unencumbered cash balance, ending	<u>\$ 22,618</u>	<u>\$ 63,368</u>

City of Argonia, Kansas
Special Revenue Fund
Vera M. Linn Cemetery Memorial Fund
Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget
Years Ended December 31, 2008 and 2007

	2007	2008		Variance-
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Favorable/ (Unfavorable)
<u>Cash Receipts and Transfers</u>				
Interest	\$ 2,800	\$ 2,543	\$ 3,500	\$ (957)
<u>Expenditures and Transfers</u>				
Capital outlay:				
Reimburse cemetery fund	\$ 2,800	\$ 3,900	\$ 4,000	\$ 100
Total expenditures and transfers	\$ 2,800	\$ 3,900	\$ 4,000	\$ 100
Revenue over (under) expenditures	\$ -	\$ (1,357)		
Unencumbered cash balance, beginning	<u>71,411</u>	<u>71,411</u>		
Unencumbered cash balance, ending	<u>\$ 71,411</u>	<u>\$ 70,054</u>		

City of Argonia, Kansas

Special Revenue Fund

Park Trust Fund**Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget***Years Ended December 31, 2008 and 2007*

	2007	2008		Variance-
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Favorable/ (Unfavorable)
<u>Cash Receipts and Transfers</u>				
Contributions	\$ -	\$ 5,317	500	\$ 4,817
Fees	22,643	9,366	14,000	(4,634)
Other	50	43	-	43
	<u>22,693</u>	<u>14,726</u>	<u>14,500</u>	<u>226</u>
Total receipts and transfers	\$ 22,693	\$ 14,726	\$ 14,500	\$ 226
<u>Expenditures and Transfers</u>				
Salaries	\$ -	\$ -	\$ 5,000	\$ 5,000
Employee Benefits	\$ -	\$ -	500	500
Contractual services	11,617	4,571	5,000	429
Commodities	5,053	6,432	5,000	(1,432)
Capital outlay	2,850	9,077	9,500	423
	<u>19,520</u>	<u>20,080</u>	<u>25,000</u>	<u>(580)</u>
Total expenditures and transfers	\$ 19,520	\$ 20,080	\$ 25,000	\$ (580)
Revenue over (under) expenditures	\$ 3,173	\$ (5,354)		
Unencumbered cash balance, beginning	<u>9,181</u>	<u>12,354</u>		
Unencumbered cash balance, ending	<u>\$ 12,354</u>	<u>\$ 7,000</u>		

City of Argonia, Kansas
Special Revenue Fund
Cemetery Building Fund
Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget
Years Ended December 31, 2008 and 2007

	2007	2008
	<u>Actual</u>	<u>Actual</u>
<u>Cash Receipts and Transfers</u>		
Contributions	\$ -	\$ 50
Interest	<u>39</u>	<u>21</u>
Total receipts and transfers	<u>\$ 39</u>	<u>\$ 71</u>
 <u>Expenditures and Transfers</u>		
Supplies, repairs, equipment	<u>\$ -</u>	<u>\$ -</u>
Total expenditures and transfers	<u>\$ -</u>	<u>\$ -</u>
 Revenue over (under) expenditures	\$ 39	\$ 71
 Unencumbered cash balance, beginning	<u>2,180</u>	<u>2,219</u>
 Unencumbered cash balance, ending	<u>\$ 2,219</u>	<u>\$ 2,290</u>

City of Argonia, Kansas
Special Revenue Fund
FEMA Grant Fund
Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual
Years Ended December 31, 2008 and 2007

	2007 <u>Actual</u>	2008 <u>Actual</u>
<u>Cash Receipts and Transfers</u>		
Federal grant	\$ -	\$ -
State grant	-	-
Interest	-	-
	<u> -</u>	<u> -</u>
Total receipts and transfers	\$ <u> -</u>	\$ <u> -</u>
 <u>Expenditures and Transfers</u>		
Contractual services	\$ 364	\$ -
	<u> 364</u>	<u> -</u>
Total expenditures and transfers	\$ <u> 364</u>	\$ <u> -</u>
 Revenue over (under) expenditures	\$ (364)	\$ -
 Unencumbered cash balance, beginning	<u> 364</u>	<u> -</u>
 Unencumbered cash balance, ending	<u>\$ -</u>	<u>\$ -</u>

City of Argonia, Kansas

Debt Service Fund

Bond & Interest Fund**Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget***Years Ended December 31, 2008 and 2007*

	2007 <u>Actual</u>	2008		Variance- Favorable/ (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>Cash Receipts and Transfers</u>				
Ad valorem property tax	\$ 43,021	\$ 8,785	\$ 6,985	\$ 1,800
Less: Revitalization rebates	(374)	(39)	-	(39)
Delinquent taxes	46	1,048	-	1,048
Motor vehicle tax	3,570	9,009	11,396	(2,387)
Recreational vehicle & 16/20M tax	531	243	329	(86)
Transfer from Water & Sewer fund	-	20,000	20,000	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total receipts and transfers	\$ 46,794	\$ 39,046	\$ 38,710	\$ 336
<u>Expenditures and Transfers</u>				
Interest on bonds	\$ 18,468	\$ 17,948	\$ 17,948	\$ -
Principal on bonds	20,000	20,000	20,000	-
Fees	4	-	12	12
Cash basis reserve	-	-	20,000	20,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures and transfers	\$ 38,472	\$ 37,948	\$ 57,960	\$ 20,012
Revenue over (under) expenditures	\$ 8,322	\$ 1,098		
Unencumbered cash balance, beginning	<u>9,892</u>	<u>18,214</u>		
Unencumbered cash balance, ending	<u>\$ 18,214</u>	<u>\$ 19,312</u>		

See accompanying notes.

City of Argonia, Kansas
Special Revenue Fund
Capital Improvement Fund
Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual
Years Ended December 31, 2008 and 2007

	2007 <u>Actual</u>	2008 <u>Actual</u>
<u>Cash Receipts and Transfers</u>		
Operating transfer from:		
Water and sewer fund	\$ -	\$ -
Gas fund	-	-
General fund	-	-
Solid waste fund	-	-
	<u> -</u>	<u> -</u>
Total receipts and transfers	<u>\$ -</u>	<u>\$ -</u>
<u>Expenditures and Transfers</u>		
Capital improvements	<u>\$ -</u>	<u>\$ -</u>
	<u> -</u>	<u> -</u>
Total expenditures and transfers	<u>\$ -</u>	<u>\$ -</u>
Revenue over (under) expenditures	\$ -	\$ -
Unencumbered cash balance, beginning	<u>6,178</u>	<u>6,178</u>
Unencumbered cash balance, ending	<u>\$ 6,178</u>	<u>\$ 6,178</u>

City of Argonia, Kansas
Enterprise Funds
Water and Sewer Utility Fund
Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget
Years Ended December 31, 2008 and 2007

	2007 <u>Actual</u>	2008		Variance- Favorable/ (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>Cash Receipts and Transfers</u>				
Water sales	\$ 91,870	\$ 103,613	\$ 106,000	\$ (2,387)
Sewer sales	36,608	42,520	35,000	7,520
Other revenue	3,883	5,353	5,000	353
Interest earnings	-	-	-	-
Total receipts and transfers	<u>\$ 132,361</u>	<u>\$ 151,486</u>	<u>\$ 146,000</u>	<u>\$ 5,486</u>
<u>Expenditures and Transfers Subject to Budget</u>				
Administration				
Personal services	\$ 6,633	\$ 6,990	\$ 6,500	\$ (490)
Employee benefits	2,757	2,992	3,500	508
Contractual services	3,062	4,272	4,500	228
Commodities	1,646	1,349	1,700	351
Capital outlay	-	-	-	-
Water Utility Deposit Refund	700	291	-	(291)
Production and distribution				
Personal services	37,293	32,796	40,000	7,204
Employee benefits	6,965	7,460	4,000	(3,460)
Contractual services	26,278	33,833	20,000	(13,833)
Commodities	22,177	6,039	15,000	8,961
Capital outlay	1,524	1,103	60,000	58,897
Operating transfers				
General fund	-	-	-	-
Capital improvement fund	-	-	-	-
Bond and Interest fund	-	20,000	20,000	-
Total expenditures and transfers subject to budget	<u>\$ 109,035</u>	<u>\$ 117,125</u>	<u>\$ 175,200</u>	<u>\$ 58,075</u>
Revenue over (under) expenditures	\$ 23,326	\$ 34,361		
Unencumbered cash balance, beginning	<u>71,231</u>	<u>94,557</u>		
Unencumbered cash balance, ending	<u>\$ 94,557</u>	<u>\$ 128,918</u>		

See accompanying notes.

City of Argonia, Kansas

Enterprise Funds

Gas Utility Fund**Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget***Years Ended December 31, 2008 and 2007*

	2007 Actual	2008		Variance- Favorable/ (Unfavorable)
		Actual	Budget	
<u>Cash Receipts and Transfers</u>				
Gas sales	\$ 248,525	\$ 280,078	\$ 315,000	\$ (34,922)
Refund from gas company	5,348	-	-	-
Deposits	4,070	3,987	3,000	
Other revenue	-	3,143	1,000	2,143
Interest earnings	256	474	500	(26)
	<u>\$ 258,199</u>	<u>\$ 287,682</u>	<u>\$ 319,500</u>	<u>\$ (32,805)</u>
<u>Expenditures and Transfers Subject to Budget</u>				
Administration				
Personal services	\$ 6,633	\$ 8,914	\$ 7,500	\$ (1,414)
Employee benefits	3,009	1,067	2,000	933
Contractual services	2,993	5,676	4,000	(1,676)
Commodities	2,396	1,448	1,500	52
Capital outlay	-	-	-	-
Distribution				
Personal services	27,242	32,796	25,500	(7,296)
Employee benefits	6,069	7,460	3,100	(4,360)
Contractual services	20,732	12,015	2,000	(10,015)
Commodities	12,210	8,965	8,500	(465)
Capital outlay	350	1,260	40,000	38,740
Gas Utility Deposit Refund	5,027	1,821	-	(1,821)
Gas purchases	140,806	196,038	207,000	10,962
Operating transfers				
General fund	-	-	-	-
Capital improvement fund	-	-	-	-
Equipment reserve fund	-	-	-	-
	<u>\$ 227,467</u>	<u>\$ 277,460</u>	<u>\$ 301,100</u>	<u>\$ 23,640</u>
Revenue over (under) expenditures	\$ 30,732	\$ 10,222		
Unencumbered cash balance, beginning	<u>(6,898)</u>	<u>23,834</u>		
Unencumbered cash balance, ending	<u>\$ 23,834</u>	<u>\$ 34,056</u>		

See accompanying notes.

City of Argonia, Kansas

Enterprise Funds

Ambulance Fund**Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget***Years Ended December 31, 2008 and 2007*

	2007 <u>Actual</u>	2008		Variance- Favorable/ (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>Cash Receipts and Transfers</u>				
Patient collections	\$ 467	\$ 15	\$ 2,000	\$ (1,985)
Statee Grant	\$ -	\$ 5,110	\$ -	\$ 5,110
Sumner County subsidy	13,759	13,759	13,760	(1)
Insurance collections	14,241	11,827	7,000	4,827
Contributions	4,350	554	-	554
Refund of Insurance	-	87	-	87
	<u>\$ 32,817</u>	<u>\$ 31,352</u>	<u>\$ 22,760</u>	<u>\$ 8,592</u>
<u>Expenditures and Transfers Subject to Budget</u>				
Contractual services	\$ 16,840	\$ 9,531	\$ 9,800	\$ 269
Commodities	8,745	9,814	4,000	(5,814)
Capital outlay	-	-	30,000	30,000
On Call	2,200	4,500	-	(4,500)
	<u>\$ 27,785</u>	<u>\$ 23,845</u>	<u>\$ 43,800</u>	<u>\$ 19,955</u>
Revenue over (under) expenditures	\$ 5,032	\$ 7,507		
Unencumbered cash balance, beginning	<u>12,259</u>	<u>17,291</u>		
Unencumbered cash balance, ending	<u>\$ 17,291</u>	<u>\$ 24,798</u>		

City of Argonia, Kansas

Enterprise Funds

Cemetery Fund**Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget***Years Ended December 31, 2008 and 2007*

	2007 <u>Actual</u>	2008		Variance- Favorable/ (Unfavorable)
		<u>Actual</u>	<u>Budget</u>	
<u>Cash Receipts and Transfers</u>				
Sale of lots and services	\$ 4,925	\$ 4,250	\$ 6,800	\$ (2,550)
Farm income	2,492	2,028	2,000	28
Hangar lease	600	1,800	800	1,000
Other	1,075	348	-	348
Donations	70	3,050	-	3,050
Reimbursement from Vera Linn Endowment	2,800	3,900	4,000	(100)
Interest earnings	29	59	50	9
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total receipts and transfers	\$ 11,991	\$ 15,435	\$ 13,650	\$ 1,785
<u>Expenditures and Transfers Subject to Budget</u>				
Personal services	\$ 4,717	\$ 8,679	\$ 6,000	\$ (2,679)
Employee benefits	497	-	600	600
Contractual services	3,405	3,913	1,000	(2,913)
Commodities	6,423	4,665	3,500	(1,165)
Capital outlay	1,650	3,342	12,000	8,658
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures and transfers subject to budget	\$ 16,692	\$ 20,599	\$ 23,100	\$ 2,501
Revenue over (under) expenditures	\$ (4,701)	\$ (5,164)		
Unencumbered cash balance, beginning	<u>11,745</u>	<u>7,044</u>		
Unencumbered cash balance, ending	<u>\$ 7,044</u>	<u>\$ 1,880</u>		

See accompanying notes.

City of Argonia, Kansas

Enterprise Funds

Solid Waste Fund**Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget***Years Ended December 31, 2008 and 2007*

	2007	2008		
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance- Favorable/ (Unfavorable)
<u>Cash Receipts and Transfers</u>				
Trash pick up service	\$ 44,626	\$ 44,418	\$ 45,000	\$ (582)
Recycling income	11,477	227	1,000	(773)
Other	-	1,169	-	1,169
Interest earnings	-	-	-	-
Total receipts and transfers	<u>\$ 56,103</u>	<u>\$ 45,814</u>	<u>\$ 46,000</u>	<u>\$ (186)</u>
<u>Expenditures and Transfers Subject to Budget</u>				
Contractual services	\$ 32,245	\$ 33,808	\$ 33,000	\$ (808)
Commodities	-	1,574	2,000	
Capital outlay	239	-	10,000	10,000
Operating Trans to Equip. Reserve	-	10,000	10,000	-
Total expenditures and transfers subject to budget	<u>\$ 32,484</u>	<u>\$ 45,382</u>	<u>\$ 55,000</u>	<u>\$ 9,192</u>
Revenue over (under) expenditures	\$ 23,619	\$ 432		
Unencumbered cash balance, beginning	<u>32,853</u>	<u>56,472</u>		
Unencumbered cash balance, ending	<u>\$ 56,472</u>	<u>\$ 56,903</u>		

City of Argonia, Kansas
Statement of Changes in Long-Term Debt
For the Year Ended December 31, 2008

<u>Issue</u>	<u>Interest Rate</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>
General Obligation bonds									
Series 2005 GO Water Distrib.Syst	2.3-4.5%	3/1/2005	500,000		\$ 465,000	\$ -	\$ 20,000	\$ (20,000)	\$ 445,000
Compensated Absences Payable					\$ 4,738	\$ -	\$ 1,347	\$ (1,347)	\$ 3,391
Total Long Term Debt					<u>\$ 469,738</u>	<u>\$ -</u>	<u>\$ 21,347</u>	<u>\$ (21,347)</u>	<u>\$ 448,391</u>

Schedule of Maturity of Long-Term Debt
December 31, 2008

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013-2017</u>	<u>2018-2022</u>	<u>2023-2026</u>	<u>Total</u>
Principal								
General obligation bonds	20,000	20,000	20,000	20,000	115,000	145,000	105,000	445,000
Loan warrants	-	-	-	-	-	-	-	-
	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>115,000</u>	<u>145,000</u>	<u>105,000</u>	<u>445,000</u>
Interest								
General obligation bonds	17,398	16,817	16,198	15,548	66,590	42,090	9,450	184,091
Loan warrants	-	-	-	-	-	-	-	-
	<u>17,398</u>	<u>16,817</u>	<u>16,198</u>	<u>15,548</u>	<u>66,590</u>	<u>42,090</u>	<u>9,450</u>	<u>184,091</u>

See accompanying notes.

City of Argonia, Kansas
Notes to Financial Statements
December 31, 2008

1. Summary of Significant Accounting Policies

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas.

Reporting Entity

The City of Argonia is a municipal corporation operating under a Mayor-Council form of government. It provides the following services: Public Safety-Police, Volunteer Fire and Emergency Medical Services, Highways and Streets, Public Improvements, Utilities-Gas, Water, Sewer, Refuse, and General Administrative Services. The City receives funding from local, state, and Federal governmental sources and must comply with the restrictions of these funding sources. However, the City is not included in any other "reporting entity" since the Mayor and Council are elected by the public and have decision making authority.

Under Governmental Accounting Standards Board (GASB) Statement 14, the City has a component unit which under the statement would be included in the reporting entity. The public housing commission operates subsidized public housing and is governed by an appointed board of commissioners. The City has elected not to include the financial statements of the housing board in this report.

Budgets

Applicable Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless exempted by a specific statute), debt service funds and enterprise funds. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments evidenced by documents such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

The statutes provide for the following sequence and timetable in adoption of budgets:

- a. Preparation of budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5 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 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.

City of Argonia, Kansas
Notes to Financial Statements
December 31, 2008

1. Summary of Significant Accounting Policies (continued)

Budgets (continued)

Kansas 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 statutory basis of accounting as described below. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, trust funds, and the following special revenue funds – special law enforcement, municipal judge training, municipal equipment reserve and fire insurance fund.

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

Reimbursements

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the budget has been adjusted when necessary to show compliance with the budget law.

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. 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 Argonia, Kansas
Notes to Financial Statements
December 31, 2008

1. Summary of Significant Accounting Policies (continued)

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund 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 may not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

The City has passed a charter ordinance permanently exempting itself from reporting based on generally accepted accounting principles, instead choosing to report on this statutory basis of accounting.

Cash Equivalents

Idle funds are invested in certificates of deposit and in a commercial bank money market fund. These cash equivalents are stated at cost, which approximates market value.

Cash balances in all funds are considered in determining the amount to be invested, and unless specifically designated, investment income should be apportioned to the various funds in the ratio of funds invested. In 2007 and 2008, investment income was primarily apportioned to the general fund, except for some interest allocated to three other funds.

Property Taxes and Other Receivables

In accordance with governing State statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities with the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year.

City of Argonia, Kansas
Notes to Financial Statements
December 31, 2008

1. Summary of Significant Accounting Policies (continued)

Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes. For revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Federal and State grant aid is reported as revenue when the related reimbursable expenditures are incurred. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Licenses, franchises, fees, fines, penalties, charges for services and other revenues are recorded when received in cash.

Investments

Investments, consisting entirely of certificates of deposit, are carried at cost, which approximates market value.

General Fixed Assets

The City does not record capital fixed assets, such as land, building and equipment, in the general fixed assets account group, as required by generally accepted accounting principles. The disbursements for the purchase of these assets are considered as expenditures and no record of the fixed assets is reflected in the financial statements.

Special Assessments

Projects financed in part by special assessments are financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City and are retired from the City's debt service fund. Further, state statutes permit the levying of additional general ad valorem property taxes in the City's debt service fund to finance delinquent special assessments receivable. Consequently, special assessments receivable are accounted for within the debt service fund. Special assessment taxes are levied over a ten or fifteen year period and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears.

Lease Obligations

Long-term leases are not generally capitalized unless the terms of the lease include an option to purchase at such a price the payments made on the lease clearly represent the purchase of an economic interest.

City of Argonia, Kansas
Notes to Financial Statements
December 31, 2008

1. Summary of Significant Accounting Policies (continued)

Compensated Absences

All employees earn vacation at the rate of five days after one year of service, ten days after two years of service and fifteen days after five years of employment. Unused vacation at each December 31st carries over to the next December 31st, then expires. Upon termination or resignation from service with the City, employees are entitled to payment for all accrued vacation earned prior to termination or resignation. All employees on permanent status earn personal leave at the rate of one calendar day per month with a 30-day maximum accumulation. Upon termination or resignation, no payment is made for any unused personal leave and one-half earned sick leave.

Pension Plan

The City has established a defined contribution SIMPLE retirement plan as permitted and defined by IRS code and regulations. All employees who have earned at least \$5,000 in the previous two calendar years and expect to earn \$5,000 in the current year are eligible to participate. The IRS specifies the payment of employee and employer contributions.

Risk Management

The City generally covers its risk of loss with insurance coverage. There have not been any claims in the past three years in excess of the amount of insurance.

Other Post Employment Benefits

The City does not maintain a group health insurance plan for its employees or retirees, nor does it have any other post-employment benefits.

2. Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following types of funds comprise the financial activities of the City for the year 2008:

City of Argonia, Kansas
Notes to Financial Statements
December 31, 2008

2. Fund Descriptions (continued)

Governmental Funds

General Fund is used to account for all financial resources except those required to be accounted for in another fund.

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

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City.

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

Enterprise Funds are used account for operations that are financed and operated in the 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 collected, expenses paid and encumbered, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for others. These include expendable trust funds, nonexpendable trust funds and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

City of Argonia, Kansas
Notes to Financial Statements
December 31, 2008

3. Cash and Cash Equivalents

Deposits

State law requires that the City deposit its funds in financial institutions that 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 bank's provide an acceptable rate of return. In addition, state law requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies which would limit concentration of credit or custodial credit risk. State law places no limit on the amount the City may deposit with any bank, as long as the deposits are adequately insured or secured. The City's deposits at year-end, consisting of checking and savings accounts, certificates of deposit and bank money market funds, had a carrying amount of \$608,956, all with one bank, constituting a concentration of credit risk. At December 31, 2008, the City had bank balances (before outstanding checks) and insurance and collateral coverage as follows:

	Farmers & Merchants
	<u>State Bank</u>
Insured	\$ 500,000
Uninsured, collateral held by the City's agent in the City's name	<u>118,070</u>
 Total	 <u>\$ 618,070</u>

Uninsured deposits are collateralized by pledged securities held under joint custody receipts issued by third-party banks in the city's name. The pledged securities are held under a tri-party custodial agreement between the city, the pledging bank, and the independent third-party bank holding the pledged securities. All city deposits are considered the lowest risk custodial risk, Category 1.

The City is authorized by state law to invest in deposits of local financial institutions and, in certain instances, specified United States Treasury obligations and repurchase agreements.

4. Pension Plan

The City established a SIMPLE retirement plan July 1, 1997. A SIMPLE is a defined contribution plan under the Internal Revenue Code where employees may elect to reduce their salary and for 2008 contribute up to \$10,500 per year into the plan. The City chooses to match employee contributions up to a maximum of 3% of compensation or to contribute 2% for all eligible employees regardless of the employee's contribution. For 2008 and 2007 the City chose to match employee contributions up to 3% of compensation. Employer contributions were \$4,822 and \$3,800 in 2008 and 2007, respectively.

City of Argonia, Kansas
Notes to Financial Statements
December 31, 2008

5. Capital Projects Fund

There were no capital projects under way during 2008.

6. Interfund Transfers

Operating transfers in 2008 were:

Solid Waste	Equipment Reserve	\$	10,000
General	Equipment Reserve		30,750
Water & Sewer	Bond & Interest		20,000

7. Contingencies

Litigation

The City is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City. There were no pending proceedings as of December 31, 2008.

Grant Program Involvement

In the normal course of operations, the City participates in various federal, state or corporate grant programs from year to year. The programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Kansas Department of Health and Environment

The City received notice that the water supply exceeded the maximum contaminant level for nitrate and arsenic in August of 2008. It has been ordered now by the KDHE that the city either join another community's water treatment project or start the construction of their own treatment facility. The expected cost of the treatment plant to be financed is \$1,200,000. This would amount to a \$20-\$30/month increase in service charges per customer. At the close of the 2008 Audit, the KDHE had rejected the City's plans for its own treatment facility and has urged the City to jointly construct a facility with another community.

City of Argonia, Kansas
Notes to Financial Statements
December 31, 2008

8. Vera M. Linn Memorial Endowment

During 1995, the City was notified that it was the beneficiary of a bequest from the Vera M. Linn Estate. The total bequest was \$69,685.16. The terms of the Last Will and Testament of Vera M. Linn state that funds be deposited in "...the perpetual care fund of Argonia Cemetery, Argonia, Kansas, and request that the income therefrom be used annually for Memorial Day flowers and the upkeep for the graves of the descendants of George Linn and Charles Ford in said Cemetery. " The City maintained the endowment as required in 2008.

9. Compliance with Finance-Related Legal and Contractual Provisions

- Encumbrance Records and Record of Unencumbered Budget Balance The clerk did not maintain the required encumbrance records, in violation of K.S.A. 10-1117 and was therefore unable to maintain accounts required under K.S.A. 79-2934 showing the unencumbered budget balance of each fund, except at year end.
- Treasurer's Fund Record K.S.A. 10-1118 requires that the treasurer of every municipality keep records to show the amount of money in each fund. The Clerk at the City of Argonia maintains such records, but the Treasurer does not maintain independent fund records.
- Encumbrance Records K.S.A. 79-2934 provides that "the clerk shall open and keep an account of each fund showing the total amount appropriated for each fund and shall charge such appropriation with the amount of any indebtedness created at the time such indebtedness is incurred." The City's records show the amount of funds disbursed and remaining budget balance, but do not reflect encumbrances, with is what is meant by the "amount of indebtedness created at the time such indebtedness is incurred".