

CITY OF DEERFIELD, KANSAS
STATUTORY BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

CITY OF DEERFIELD, KANSAS
STATUTORY BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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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, 2009, 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 2008 financial statements and, in our report dated March 4, 2009, 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, 2009, 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, 2009, 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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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
LEWIS, HOOPER & DICK, LLC

June 1, 2010

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

Funds	Unencumbered Cash 01/01/09	Receipts and Transfers	Expenditures and Transfers	Unencumbered Cash 12/31/09	Add Payables and Encumbrances	Treasurer's Cash 12/31/09
Governmental Type Funds						
General	\$ 133,286	\$ 234,370	\$ 285,427	\$ 82,229	\$ 1,897	\$ 84,126
Special Revenue Funds:						
Employee Benefits	17,354	75,095	79,105	13,344	93	13,437
Machinery and Equipment	23,597	55,000	50,260	28,337	-	28,337
Special Highway	313,096	155,877	321,109	147,864	5,308	153,172
Special Liability	6,163	5,005	3,073	8,095	-	8,095
Total Special Revenue	360,210	290,977	453,547	197,640	5,401	203,041
Debt Service Fund:						
Bond and Interest	5,851	30,811	28,545	8,117	-	8,117
Proprietary Type Funds						
Water Utility:						
General	99,422	155,483	204,790	50,115	691	50,806
Water Depreciation Reserve	37,354	30,000	54,293	13,061	-	13,061
Total Water Utility	136,776	185,483	259,083	63,176	691	63,867
Sewer Utility:						
General	17,069	38,695	41,217	14,547	-	14,547
Sewer Pond Reserve	7,488	5,946	12,664	770	-	770
Total Sewer Utility	24,557	44,641	53,881	15,317	-	15,317
Refuse Utility						
General	22,197	43,371	48,933	16,635	-	16,635
Storm Sewer Utility	29,208	10,830	10,574	29,464	-	29,464
Customer Deposits	7,860	3,000	3,330	7,530	100	7,630
Total Proprietary	220,598	287,325	375,801	132,122	791	132,913
Total All Funds (Memorandum only)	<u>\$ 719,945</u>	<u>\$ 843,483</u>	<u>\$ 1,143,320</u>	<u>\$ 420,108</u>	<u>\$ 8,089</u>	<u>\$ 428,197</u>
Composition of Cash:						
Keamy County Bank					\$ 185,986	
Plains State Bank					100,982	
Outstanding checks					(109,201)	
Total cash in bank						\$ 177,767
Investments						250,180
Cash on hand						250
Total cash						<u>\$ 428,197</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, 2009

	Certified Budget	Expenditures Chargeable to Current Year Budget	Variance Over (Under)
<u>Governmental Type Funds</u>			
General	\$ 327,159	\$ 285,427	\$ (41,732)
Special Revenue Funds:			
Employee Benefits	87,620	79,105	(8,515)
Machinery and Equipment	90,489	50,260	(40,229)
Special Highway	376,549	321,109	(55,440)
Special Liability	6,500	3,073	(3,427)
Debt Service Fund:			
Bond and Interest	36,595	28,545	(8,050)
<u>Proprietary Type Funds</u>			
Water Utility:			
General	216,610	204,790	(11,820)
Water Depreciation Reserve	80,640	54,293	(26,347)
Sewer Utility:			
General	44,576	41,217	(3,359)
Sewer Pond Reserve	14,386	12,664	(1,722)
Refuse Utility	59,400	48,933	(10,467)
Storm Sewer Utility	34,136	10,574	(23,562)
Customer Deposits	15,000	3,330	(11,670)

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, 2009
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over Under
		Actual	Budget	
Cash Receipts:				
Administration:				
Taxes	\$ 174,121	\$ 160,079	\$ 149,048	\$ 11,031
Franchises	22,193	20,865	22,000	(1,135)
Fines, licenses and permits	6,003	10,758	6,000	4,758
Use of money and property	63,234	26,396	49,095	(22,699)
Reimbursements and miscellaneous	13,645	12,772	15,600	(2,828)
Total administration	279,196	230,870	241,743	(10,873)
Parks	3,500	3,500	4,000	(500)
Fire	1,200	-	-	-
Total cash receipts	283,896	234,370	\$ 245,743	\$ (11,373)
Expenditures:				
General administration:				
Personnel services	142,598	140,641	\$ 158,953	\$ (18,312)
Contractual services	40,017	65,072	35,000	30,072
Commodities	38,521	40,594	50,200	(9,606)
Capital outlay	3,328	128	15,000	(14,872)
Total general administration	224,464	246,435	259,153	(12,718)
Streets:				
Commodities	-	-	3,845	(3,845)
Street lighting:				
Contractual services	6,267	6,410	8,700	(2,290)
Police:				
Contractual services	1	1	1	-
Parks:				
Commodities	4,054	3,371	6,250	(2,879)
Zoning	17,753	19,210	19,210	-
Transfers out	30,000	10,000	30,000	(20,000)
Total expenditures	282,539	285,427	\$ 327,159	\$ (41,732)
Receipts over (under) expenditures	1,357	(51,057)		
Unencumbered cash, beginning of year	131,929	133,286		
Unencumbered cash, end of year	\$ 133,286	\$ 82,229		

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, 2009
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Taxes	\$ 53,743	\$ 75,095	\$ 74,690	\$ 405
Expenditures:				
Employee benefits	55,970	79,105	\$ 87,620	\$ (8,515)
Receipts under expenditures	(2,227)	(4,010)		
Unencumbered cash, beginning of year	19,581	17,354		
Unencumbered cash, end of year	\$ 17,354	\$ 13,344		

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, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Transfer from General	\$ 30,000	\$ 10,000	\$ 30,000	\$ (20,000)
Transfer from Water	-	20,000	-	20,000
Transfer from Refuse	18,000	25,000	25,000	-
Total cash receipts	48,000	55,000	\$ 55,000	\$ -
Expenditures:				
Capital outlay and equipment lease	40,975	50,260	\$ 90,489	\$ (40,229)
Receipts over expenditures	7,025	4,740		
Unencumbered cash, beginning of year	16,572	23,597		
Unencumbered cash, end of year	\$ 23,597	\$ 28,337		

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, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
State of Kansas - gas tax	\$ 24,294	\$ 20,521	\$ 26,100	\$ (5,579)
Reimbursements and miscellaneous	141,112	135,356	119,700	15,656
Total cash receipts	165,406	155,877	\$ 145,800	\$ 10,077
Expenditures:				
Personnel services	7,203	5,732	\$ 7,382	\$ (1,650)
Contractual	174,032	301,818	368,167	(66,349)
Commodities	20,476	13,559	1,000	12,559
Total expenditures	201,711	321,109	\$ 376,549	\$ (55,440)
Receipts under expenditures	(36,305)	(165,232)		
Unencumbered cash, beginning of year	349,401	313,096		
Unencumbered cash, end of year	\$ 313,096	\$ 147,864		

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, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Taxes	\$ 4,958	\$ 5,005	\$ 4,968	\$ 37
Reimbursements and miscellaneous	1,653	-	-	-
Total cash receipts	<u>6,611</u>	<u>5,005</u>	<u>\$ 4,968</u>	<u>\$ 37</u>
Expenditures:				
Tort liability	<u>3,117</u>	<u>3,073</u>	<u>\$ 6,500</u>	<u>\$ (3,427)</u>
Receipts over expenditures	3,494	1,932		
Unencumbered cash, beginning of year	<u>2,669</u>	<u>6,163</u>		
Unencumbered cash, end of year	<u>\$ 6,163</u>	<u>\$ 8,095</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, 2009
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over Over (Under)
		Actual	Budget	
Cash Receipts:				
Taxes	\$ 345	\$ 5	\$ -	\$ 5
Transfer from Storm Sewer Utility	29,806	1,000	29,806	(28,806)
Transfer from Water Utility	-	29,806	1,000	28,806
Total cash receipts	<u>30,151</u>	<u>30,811</u>	<u>\$ 30,806</u>	<u>\$ 5</u>
Expenditures:				
Bond principal	20,000	20,000	\$ 20,000	\$ -
Bond coupons	9,035	8,545	8,545	-
Fiscal fees	-	-	50	(50)
Cash basis reserve	-	-	8,000	(8,000)
Total expenditures	<u>29,035</u>	<u>28,545</u>	<u>\$ 36,595</u>	<u>\$ (8,050)</u>
Receipts over expenditures	1,116	2,266		
Unencumbered cash, beginning of year	<u>4,735</u>	<u>5,851</u>		
Unencumbered cash, end of year	<u>\$ 5,851</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, 2009
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Charge for services	\$ 122,898	\$ 113,273	\$ 131,321	\$ (18,048)
Penalties and reconnect fees	7,316	10,236	4,200	6,036
Miscellaneous	886	(1,020)	2,100	(3,120)
Water protection fee	33,777	32,994	32,000	994
Transfer from Water Depreciation Reserve	19,184	-	-	-
Total cash receipts	184,061	155,483	\$ 169,621	\$ (14,138)
Expenditures:				
Personnel services	45,621	63,057	\$ 50,850	\$ 12,207
Production	17,737	20,228	15,000	5,228
Distribution	23,067	21,398	44,000	(22,602)
General	8,474	7,925	5,000	2,925
Capital outlay	6,031	11,411	40,000	(28,589)
Interest	1,954	965	1,954	(989)
Transfers out	39,806	79,806	59,806	20,000
Total expenditures	142,690	204,790	\$ 216,610	\$ (11,820)
Receipts over (under) expenditures	41,371	(49,307)		
Unencumbered cash, beginning of year	58,051	99,422		
Unencumbered cash, end of year	<u>\$ 99,422</u>	<u>\$ 50,115</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, 2009
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Transfer from Water Utility	\$ 10,000	\$ 30,000	\$ 30,000	\$ -
Expenditures:				
Capital outlay and improvements	6,952	7,994	\$ 37,225	\$ (29,231)
Payment on temporary notes	-	46,299	43,415	2,884
Transfer to Water Utility	19,184	-	-	-
Total expenditures	26,136	54,293	\$ 80,640	\$ (26,347)
Receipts under expenditures	(16,136)	(24,293)		
Unencumbered cash, beginning of year	53,490	37,354		
Unencumbered cash, end of year	\$ 37,354	\$ 13,061		

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, 2009
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Charge for services	\$ 36,252	\$ 38,695	\$ 38,640	\$ 55
Expenditures:				
Personnel services	-	14,312	\$ 16,560	\$ (2,248)
Contractual services	14,852	5,210	10,500	(5,290)
Commodities	12,487	16,175	11,500	4,675
Interest on temporary notes	1,016	520	1,016	(496)
Transfer to Sewer Pond Reserve	5,000	5,000	5,000	-
Total expenditures	33,355	41,217	\$ 44,576	\$ (3,359)
Receipts over (under) expenditures	2,897	(2,522)		
Unencumbered cash, beginning of year	14,172	17,069		
Unencumbered cash, end of year	\$ 17,069	\$ 14,547		

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, 2009
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Transfer from Sewer Fund	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Donations	2,102	946	3,000	(2,054)
Total cash receipts	7,102	5,946	\$ 8,000	\$ (2,054)
Expenditures:				
Capital outlay and improvements	-	-	\$ 1	\$ (1)
Payment on temporary notes	-	12,664	14,385	(1,721)
Total expenditures	-	12,664	\$ 14,386	\$ (1,722)
Receipts over (under) expenditures	7,102	(6,718)		
Unencumbered cash, beginning of year	386	7,488		
Unencumbered cash, end of year	\$ 7,488	\$ 770		

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, 2009
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Charge for services	\$ 42,620	\$ 43,371	\$ 50,126	\$ (6,755)
Expenditures:				
Personnel services	14,648	16,262	\$ 20,900	\$ (4,638)
Contractual services	8,332	7,671	7,000	671
Capital outlay	1,087	-	6,500	(6,500)
Transfer to Machinery and Equipment	18,000	25,000	25,000	-
Total expenditures	42,067	48,933	\$ 59,400	\$ (10,467)
Receipts over (under) expenditures	553	(5,562)		
Unencumbered cash, beginning of year	21,644	22,197		
Unencumbered cash, end of year	\$ 22,197	\$ 16,635		

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, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Charges for services	\$ 11,016	\$ 10,830	\$ 9,900	\$ 930
Expenditures:				
Personnel services	7,102	-	\$ 5,175	\$ (5,175)
Miscellaneous	42	9,574	1,000	8,574
Construction	-	-	27,961	(27,961)
Transfer to Bond and Interest	-	1,000	-	1,000
Total expenditures	7,144	10,574	\$ 34,136	\$ (23,562)
Receipts over expenditures	3,872	256		
Unencumbered cash, beginning of year	25,336	29,208		
Unencumbered cash, end of year	\$ 29,208	\$ 29,464		

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, 2009
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts:				
Customer deposits	\$ 2,680	\$ 3,000	\$ 6,200	\$ (3,200)
Expenditures:				
Contractual services	3,050	3,330	\$ 15,000	\$ (11,670)
Receipts under expenditures	(370)	(330)		
Unencumbered cash, beginning of year	8,230	7,860		
Unencumbered cash, end of year	\$ 7,860	\$ 7,530		

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, 2009

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, 2009

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. 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, 2009.

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2009

1. Summary of significant accounting policies (continued)

F. Budgetary information (continued)

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.

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 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.

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2009

1. Summary of significant accounting policies (continued)

H. 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.

I. 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.

J. 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 \$2,264 of accumulated leave is payable at December 31, 2009.

K. 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.

L. 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*.

M. 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.

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2009

1. Summary of significant accounting policies (continued)

N. 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, 2008, from which the summarized information was derived.

2. 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		427,947
Total cash	\$	428,197

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".

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2009

2. Deposits and investments (continued)

At December 31, 2009, the City's carrying amount of deposits was \$427,947 and the bank balance was \$537,148. Of the bank balance, 100% of the balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$435,986 was covered by federal depository insurance, and the balance of \$101,162 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, 2009, are as follows:

	Kearny County Bank	Plains State Bank
FDIC coverage	\$ 185,986	\$ 250,000
Pledged securities at market value	648,995	211,036
Total coverage	\$ 834,981	\$ 461,036
Funds on deposit	\$ 185,986	\$ 351,162
Funds at risk	\$ -	\$ -

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, 2009.

3. Capital projects in process

Capital project authorizations with approved change orders compared to expenditures from inception at December 31, 2009, are as follows:

	Project Authorization	Disbursements and Accounts Payable to Date	Committed
Curb and guttering	\$ 145,205	\$ 145,205	\$ -
Grocery store roof	18,875	18,875	-
Asphalt street improvements	209,988	209,998	-
Crack sealing project	24,753	24,753	-

Subsequent to year end, the City accepted a bid to rehab manholes in the amount of \$8,033.

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2009

4. Long-term debt

Changes in long-term liabilities for the City for the year ended December 31, 2009, 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 1/1/09	Additions	Reductions/ Payments	Net Change	Balance 12/31/09	Interest Paid
General obligation bonds payable:										
Water System Improvement, 2003	06/15/03	3.90%	06/01/18	\$ 350,000	\$ 250,000	\$ -	\$ 20,000		\$ 230,000	\$ 8,545
Temporary notes payable:										
Improvement, Series A	04/15/06	4.50%	10/15/10	66,000	66,000	-	57,000		9,000	3,447
Capital lease obligations payable:										
Refuse truck	04/04/06	4.67%	04/04/13	105,276	71,515	-	14,634		56,881	3,171
Building	08/03/04	4.97%	08/10/09	55,600	10,909	-	10,909		-	370
Total capital lease obligations payable				160,876	82,424	-	25,543		56,881	3,541
Employee compensated absences payable:										
Accrued vacation, net change					3,410			\$ (1,146)	2,264	
Total general long-term debt				\$ 576,876	\$ 401,834	\$ -	\$ 102,543	\$ (1,146)	\$ 298,145	\$ 15,533

	Year						Total
	2010	2011	2012	2013	2014	2015-2018	
Principal:							
General obligation bonds payable	\$ 20,000	\$ 20,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 115,000	\$ 230,000
Temporary notes payable	9,000	-	-	-	-	-	9,000
Capital leases payable	15,325	16,049	16,807	8,700	-	-	56,881
Total principal	44,325	36,049	41,807	33,700	25,000	115,000	295,881
Interest:							
General obligation bonds	7,995	7,395	6,685	5,872	4,972	9,263	42,182
Temporary notes payable	405	-	-	-	-	-	405
Capital lease obligations	2,480	1,755	997	202	-	-	5,434
Total interest	10,880	9,150	7,682	6,074	4,972	9,263	48,021
Total principal and interest	\$ 55,205	\$ 45,199	\$ 49,489	\$ 39,774	\$ 29,972	\$ 124,263	\$ 343,902

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.

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; 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.

6. 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 2009.

CITY OF DEERFIELD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2009

7. 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 2009 is 6.54%. The City's contributions to KPERS for the years ending December 31, 2009, 2008 and 2007, were \$13,391, \$12,523, and \$10,209, respectively, equal to the statutory required contributions for each year.

8. Related party transactions

The City employs two individuals related to Council members. The City paid wages of \$57,174 to these related parties during the year ended December 31, 2009. Benefits paid on these wages totaled \$9,635.

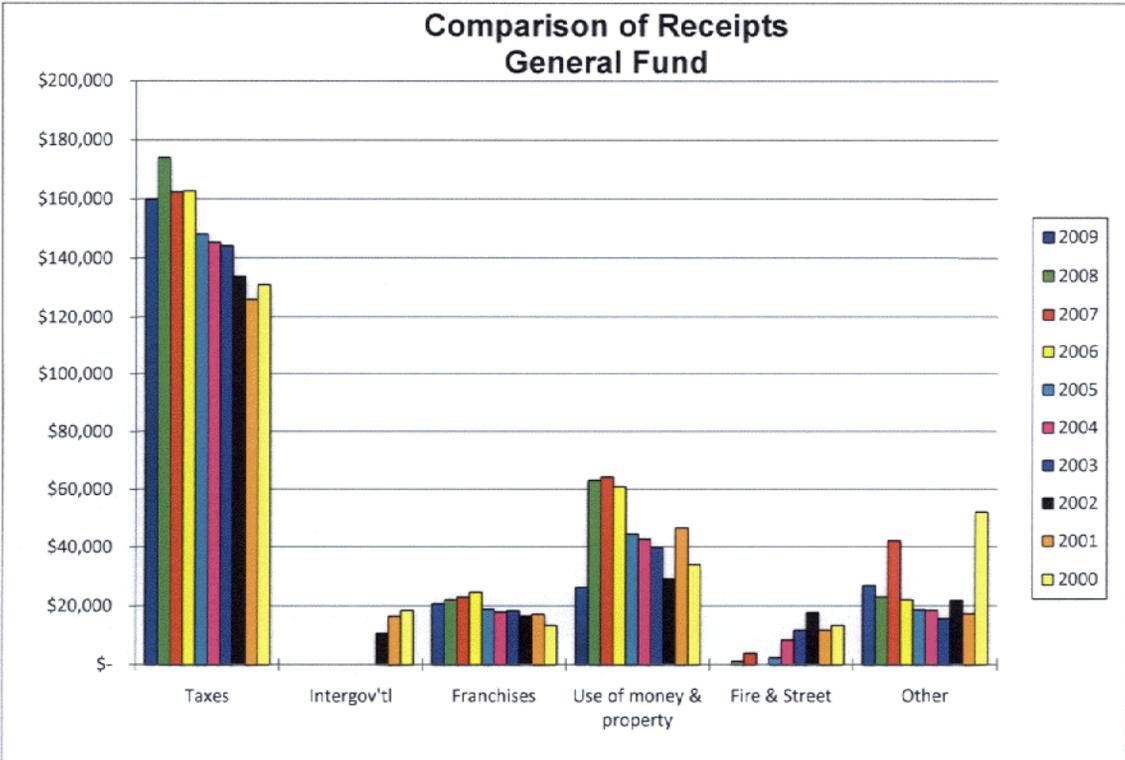
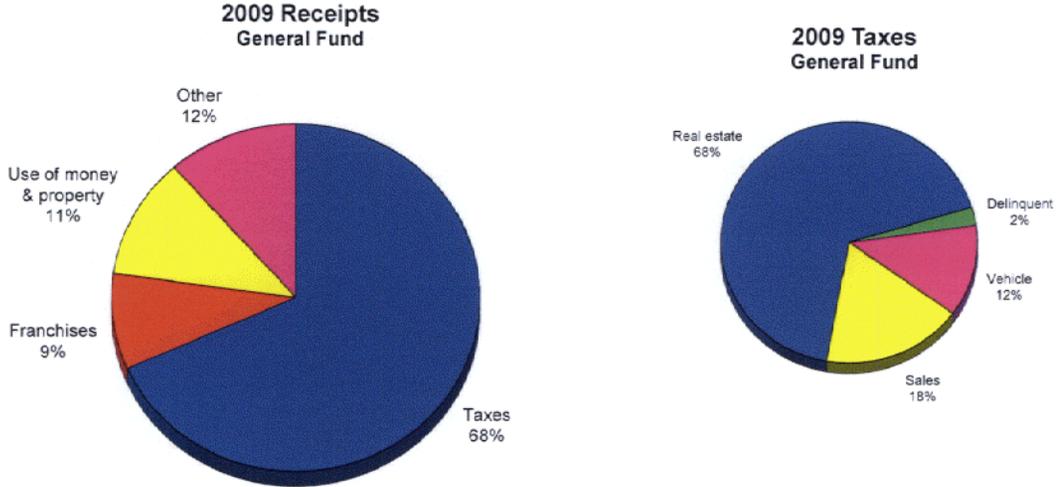
9. Interfund transfers between funds

Interfund operating transfers are as follows:

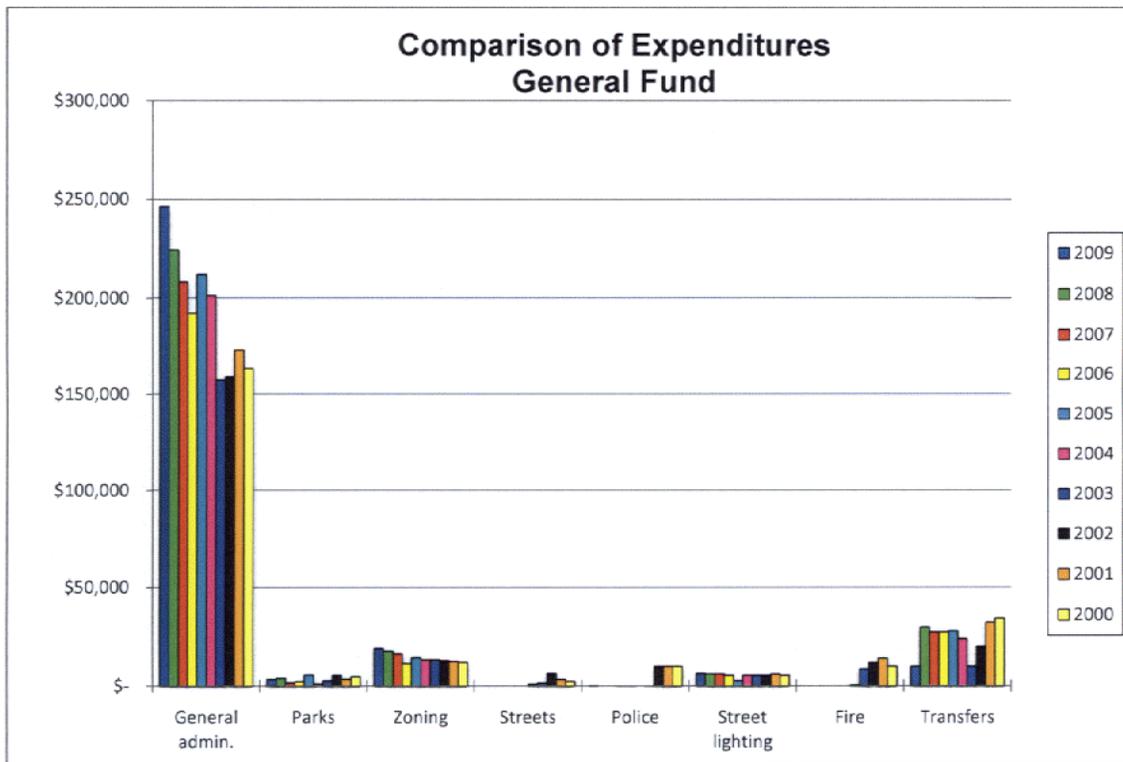
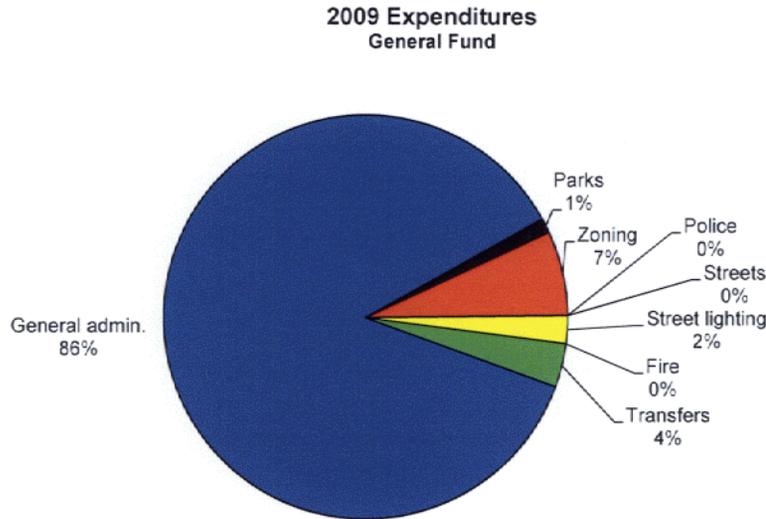
<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	
General	Machinery and Equipment	12-1117	\$ 10,000
Water Utility	Machinery and Equipment	12-825d	20,000
Water Utility	Water Depreciation Reserve	12-825d	30,000
Water Utility	Bond and Interest	12-825d	29,806
Sewer Utility	Sewer Pond Reserve	12-825d	5,000
Refuse Utility	Machinery and Equipment	12-825d	25,000
Storm Sewer Utility	Bond and Interest	12-825d	1,000
Total			<u>\$ 120,806</u>

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



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

