

CITY OF ABILENE, KANSAS
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

December 31, 2008

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

CITY OF ABILENE, KANSAS
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August 5, 2009

Mayor and Commission Members
City of Abilene, Kansas

Independent Auditors' Report

We have audited the accompanying financial statements of the City of Abilene, Kansas (the City), as of and for the year ended December 31, 2008, 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 our audit provides a reasonable basis for our opinion.

As described in Note 1, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the statutory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Abilene, Kansas as of December 31, 2008, and the revenues it received and expenditures it paid for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

August 5, 2009
Mayor and Commission Members
City of Abilene, Kansas
(Continued)

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The remaining information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Abilene, Kansas. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the City Council and management of the City of Abilene, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountants
Manhattan, Kansas

Independent Auditors' Report

CITY OF ABILENE, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
 For the Year Ended December 31, 2008

Fund	Unencumbered Cash Balance January 1, 2008	Cash Receipts	Expenditures	Unencumbered Cash Balance December 31, 2008	Add: Outstanding Encumbrances and Accounts Payable	Cash Balance December 31, 2008
Governmental Funds						
General Fund	\$ 2,532,828	\$ 4,083,600	\$ 4,397,693	\$ 2,218,735	\$ 612,412	\$ 2,831,147
Special Revenue Funds						
Airport	(64,319)	155,676	30,507	60,850	40,410	101,260
Fire Apparatus	17,430	35,525	44,893	8,062	13,000	21,062
Special Parks and Recreation	32,378	16,926	4,285	45,019	-	45,019
Special Alcohol and Drug	28,426	16,100	5,110	39,416	-	39,416
Library	2,848	280,350	280,744	2,454	-	2,454
Tourism and Convention	9,095	188,513	189,436	8,172	5,077	13,249
Special Street	14,534	407,913	325,552	96,895	290,733	387,628
Recreation	(205,023)	805,679	394,445	206,211	6,193	212,404
Special Liability	16,020	47	-	16,067	-	16,067
Capital Improvement	205,429	32,442	-	237,871	-	237,871
Equipment Reserve	126,994	122,905	82,311	167,588	-	167,588
Community Center	150,145	2,074	-	152,219	-	152,219
Library Renovation	-	2,301,411	215,164	2,086,247	100	2,086,347
Pool Renovation	-	2,096,762	836,080	1,260,682	-	1,260,682
Debt Service Funds	209,539	223,761	288,434	144,866	-	144,866
Capital Project Funds						
Cedar Ridge Estates	30,685	181,442	130,118	82,009	-	82,009
Automated Meter Reader System	8,412	-	-	8,412	-	8,412
Wastewater Treatment Plant Disinfection System	(10,499)	1,583,697	1,582,657	(9,459)	-	(9,459)
Eastridge Estates	214,307	201	220,913	(6,405)	-	(6,405)
The Highlands Addition	(10,846)	4,281,181	3,111,644	1,158,691	-	1,158,691
Dawson 4	312,886	2,316	289,155	26,047	-	26,047

(Continued)

STATEMENT 1

The accompanying notes are an integral part of these financial statements.
 See Certified Public Accountants' Report.

Financial Statements

CITY OF ABILENE, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH (CONTINUED)
 For the Year Ended December 31, 2008

Fund	Unencumbered Cash Balance January 1, 2008	Cash Receipts	Expenditures	Unencumbered Cash Balance December 31, 2008	Add: Outstanding Encumbrances and Accounts Payable	Cash Balance December 31, 2008
Proprietary Funds						
Enterprise						
Water	701,969	1,339,589	1,571,368	470,190	154,955	625,145
Equipment Reserve Water	673,778	147,376	-	821,154	-	821,154
Recycling	334,105	97,951	80,131	351,925	601	352,526
Wastewater	1,146,677	1,527,409	1,167,130	1,506,956	85,987	1,592,943
Equipment Reserve Sewer	124,757	27,021	-	151,778	-	151,778
Storm Drain	336,322	74,361	19,007	391,676	1,147	392,823
Component Unit						
Abilene Library	296,271	329,863	307,076	319,058	-	319,058
Total (Memorandum Only)	\$ 7,235,148	\$ 20,362,091	\$ 15,573,853	\$ 12,023,386	\$ 1,210,615	\$ 13,234,001

Composition of Cash		
Checking account	\$ 8,758,200	
Money market accounts	348,338	
Certificates of deposit	3,812,156	
Savings accounts	373	
Change fund and petty cash	630	
Municipal Bond	10,926	
Abilene Library (Component Unit)	319,058	
Total Cash	\$ 13,249,681	
Agency Funds per Statement 4	(15,680)	
	\$ 13,234,001	

TOTAL REPORTING ENTITY (EXCLUDING AGENCY)

STATEMENT 1
(continued)

The accompanying notes are an integral part of these financial statements.
 See Certified Public Accountants' Report.

Financial Statements

CITY OF ABILENE, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET (BUDGETED FUNDS ONLY)
 For the Year Ended December 31, 2008

Fund	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental Funds					
General Fund	\$ 5,262,237		\$ 5,262,237	\$ 4,397,693	\$ 864,544
Debt Service Funds	289,033		289,033	288,434	599
Special Revenue Funds					
Airport	569,975		569,975	30,507	539,468
Fire Apparatus	50,857		50,857	44,893	5,964
Special Parks and Recreation	54,052		54,052	4,285	49,767
Special Alcohol and Drug	40,061		40,061	5,110	34,951
Library	280,744		280,744	-	-
Tourism and Convention	220,886		220,886	189,436	31,450
Special Street	534,762		534,762	325,552	209,210
Recreation	643,585		643,585	394,445	249,140
Special Liability	15,500		15,500	-	15,500
Capital Improvement	200,000		200,000	-	200,000
Equipment Reserve	163,379		163,379	82,311	81,068
Community Center	98,155		98,155	-	98,155
Library Renovation	1,800,000		1,800,000	215,164	1,584,836
Pool Renovation	1,800,000		1,800,000	836,080	963,920
Proprietary Funds					
Water	1,961,675		1,961,675	1,571,368	390,307
Recycling	365,857		365,857	80,131	285,726
Wastewater	1,766,562		1,766,562	1,167,130	599,432
Storm Drain	386,791		386,791	19,007	367,784

The accompanying notes are an integral part of these financial statements.
 See Certified Public Accountants' Report.

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

GENERAL FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Taxes	\$ 1,223,500	\$ 1,222,824	\$ 676
Intergovernmental revenues	70,757	80,750	(9,993)
Grants	33,583	39,372	(5,789)
Sales tax	1,262,938	1,100,000	162,938
Licenses and permits	31,771	57,700	(25,929)
Fines and penalties	204,405	183,000	21,405
Charges for services	15,461	10,300	5,161
Franchise tax	519,380	435,000	84,380
Interest	129,057	50,000	79,057
Rent	17,225	11,550	5,675
Reimbursed expenses	168,469	12,500	155,969
Insurance Proceeds	240,393	-	240,393
Miscellaneous	23,161	66,737	(43,576)
Transfers	143,500	143,500	-
Total Cash Receipts	<u>\$ 4,083,600</u>	<u>\$ 3,413,233</u>	<u>\$ 670,367</u>
EXPENDITURES			
General	\$ 372,578	\$ 525,403	\$ 152,825
Municipal court	134,442	145,456	11,014
Police	952,840	998,693	45,853
Fire	626,781	653,655	26,874
Street	517,264	559,176	41,912
Bindweed/flood maintenance	89,811	89,917	106
Inspection	110,189	121,695	11,506
Parks and recreation	176,485	193,475	16,990
Swimming pool	5,136	11,450	6,314
Community development	150,087	160,174	10,087
Senior Center and transport	71,432	85,344	13,912
Civic Center	27,744	33,200	5,456
Special projects	422,304	923,999	501,695
Transfers	740,600	760,600	20,000
Total Expenditures	<u>\$ 4,397,693</u>	<u>\$ 5,262,237</u>	<u>\$ 864,544</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (314,093)	\$ (1,849,004)	
UNENCUMBERED CASH - JANUARY 1	<u>2,532,828</u>	<u>2,084,048</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 2,218,735</u>	<u>\$ 235,044</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
AIRPORT FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Property taxes	\$ 23,614	\$ 24,000	\$ (386)
Motor vehicle taxes	4,128	3,794	334
Delinquent taxes	278	100	178
Intergovernmental	115,183	470,300	(355,117)
Interest	1,498	200	1,298
Rent	10,975	13,840	(2,865)
Total Cash Receipts	<u>\$ 155,676</u>	<u>\$ 512,234</u>	<u>\$ (356,558)</u>
EXPENDITURES			
Contractual services and other charges	\$ 25,950	\$ 88,675	\$ 62,725
Maintenance and repairs	4,557	8,000	3,443
Capital outlay	-	473,300	473,300
Total Expenditures	<u>\$ 30,507</u>	<u>\$ 569,975</u>	<u>\$ 539,468</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 125,169	\$ (57,741)	
UNENCUMBERED CASH - JANUARY 1	<u>(64,319)</u>	<u>81,684</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 60,850</u>	<u>\$ 23,943</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
FIRE APPARATUS FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Property taxes	\$ 29,868	\$ 30,000	\$ (132)
Motor vehicle taxes	5,010	4,741	269
Delinquent taxes	344	300	44
Interest	303	100	203
Total Cash Receipts	<u>\$ 35,525</u>	<u>\$ 35,141</u>	<u>\$ 384</u>
EXPENDITURES			
Capital outlay	\$ 44,893	\$ 50,857	\$ 5,964
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (9,368)	\$ (15,716)	
UNENCUMBERED CASH - JANUARY 1	<u>17,430</u>	<u>17,316</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 8,062</u>	<u>\$ 1,600</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
SPECIAL PARK AND RECREATION FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Intergovernmental revenues	\$ 15,690	\$ 12,000	\$ 3,690
Interest	626	200	426
Refund received	610	-	610
Total Cash Receipts	<u>\$ 16,926</u>	<u>\$ 12,200</u>	<u>\$ 4,116</u>
EXPENDITURES			
Capital outlay	<u>\$ 4,285</u>	<u>\$ 54,052</u>	<u>\$ 49,767</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 12,641	\$ (41,852)	
UNENCUMBERED CASH - JANUARY 1	<u>32,378</u>	<u>44,555</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 45,019</u>	<u>\$ 2,703</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
SPECIAL ALCOHOL AND DRUG FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Intergovernmental revenue	\$ 15,690	\$ 12,000	\$ 3,690
Interest	410	200	210
Total Cash Receipts	<u>\$ 16,100</u>	<u>\$ 12,200</u>	<u>\$ 3,900</u>
EXPENDITURES			
Miscellaneous	\$ 610	\$ 14,000	\$ 13,390
Contributions	4,500	15,000	10,500
Special projects	-	11,061	11,061
Total Expenditures	<u>\$ 5,110</u>	<u>\$ 40,061</u>	<u>\$ 34,951</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 10,990	\$ (27,861)	
UNENCUMBERED CASH - JANUARY 1	<u>28,426</u>	<u>29,864</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 39,416</u>	<u>\$ 2,003</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
LIBRARY FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Property taxes	\$ 242,684	\$ 245,083	\$ (2,399)
Motor vehicle taxes	35,242	34,161	1,081
Delinquent taxes	2,424	1,500	924
Total Cash Receipts	<u>\$ 280,350</u>	<u>\$ 280,744</u>	<u>\$ (394)</u>
EXPENDITURES			
Transfer to component units	<u>\$ 280,744</u>	<u>\$ 280,744</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (394)	\$ -	
UNENCUMBERED CASH - JANUARY 1	<u>2,848</u>	<u>-</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 2,454</u>	<u>\$ -</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
TOURISM AND CONVENTION FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Transient guest tax	\$ 134,274	\$ 120,000	\$ 14,274
Charges for services	11,104	52,000	(40,896)
Interest	217	100	117
Reimbursed expenses	22,918	20,000	2,918
Transfers	20,000	20,000	-
Total Cash Receipts	<u>\$ 188,513</u>	<u>\$ 212,100</u>	<u>\$ (23,587)</u>
EXPENDITURES			
Personnel and employee benefits	\$ 96,902	\$ 106,096	\$ 9,194
Contractual services and other charges	81,592	100,944	19,352
Maintenance and repairs	10,942	13,846	2,904
Total Expenditures	<u>\$ 189,436</u>	<u>\$ 220,886</u>	<u>\$ 31,450</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (923)	\$ (8,786)	
UNENCUMBERED CASH - JANUARY 1	<u>9,095</u>	<u>19,540</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 8,172</u>	<u>\$ 10,754</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
SPECIAL STREET FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Intergovernmental revenues	\$ 197,905	\$ 329,880	\$ (131,975)
Interest	10,008	3,000	7,008
Transfers	200,000	200,000	-
Total Cash Receipts	<u>\$ 407,913</u>	<u>\$ 532,880</u>	<u>\$ (124,967)</u>
EXPENDITURES			
Materials and supplies	\$ 6,885	\$ 15,500	\$ 8,615
Maintenance and repairs	4,463	7,000	2,537
Capital outlay	314,204	512,262	198,058
Total Expenditures	<u>\$ 325,552</u>	<u>\$ 534,762</u>	<u>\$ 209,210</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 82,361	\$ (1,882)	
UNENCUMBERED CASH - JANUARY 1	<u>14,534</u>	<u>1,882</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 96,895</u>	<u>\$ -</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
RECREATION FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Contract payments	\$ 168,166	\$ 169,912	\$ (1,746)
Interest	3,947	4,000	(53)
Fees	164,035	191,400	(27,365)
Total Cash Receipts	<u>\$ 336,148</u>	<u>\$ 365,312</u>	<u>\$ (29,164)</u>
EXPENDITURES			
Administration	\$ 188,392	\$ 214,449	\$ 26,057
Acquatics	45,915	56,372	10,457
Athletics	65,772	180,444	114,672
Community education	6,091	22,480	16,389
Community Center	73,900	80,040	6,140
Special projects	14,375	89,800	75,425
Total Expenditures	<u>\$ 394,445</u>	<u>\$ 643,585</u>	<u>\$ 173,715</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (58,297)	\$ (278,273)	
Recreation Commission funds returned to the City of Abilene (See Note 10)	469,531	-	
UNENCUMBERED CASH - JANUARY 1	<u>(205,023)</u>	<u>321,114</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 206,211</u>	<u>\$ 42,841</u>	

RECONCILIATION OF CASH RECEIPTS TO SUMMARY SCHEDULE BY FUND

Recreation Commission Cash Receipts	\$ 336,148
Funds Returned to City of Abilene	469,531
Total Cash Receipts of City of Abilene	<u>\$ 805,679</u>

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
SPECIAL LIABILITY FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Interest	\$ 47	\$ 50	\$ (3)
EXPENDITURES			
Contractual services and other charges	\$ -	\$ 15,500	\$ 15,500
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 47	\$ (15,450)	
UNENCUMBERED CASH - JANUARY 1	16,020	15,834	
UNENCUMBERED CASH - DECEMBER 31	\$ 16,067	\$ 384	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
CAPITAL IMPROVEMENT FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS			
Property taxes	\$ 24,890	\$ 25,000	\$ (110)
Motor vehicle taxes	4,171	3,951	220
Delinquent taxes	284	500	(216)
Interest	3,097	1,000	2,097
Total Cash Receipts	<u>\$ 32,442</u>	<u>\$ 30,451</u>	<u>\$ 1,991</u>
EXPENDITURES			
Special projects	\$ -	\$ 200,000	\$ 200,000
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 32,442	\$ (169,549)	
UNENCUMBERED CASH - JANUARY 1	<u>205,429</u>	<u>177,685</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 237,871</u>	<u>\$ 8,136</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
EQUIPMENT RESERVE FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Interest	\$ 2,305	\$ 200	\$ 2,105
Transfers	120,600	120,600	-
Total Cash Receipts	<u>\$ 122,905</u>	<u>\$ 120,800</u>	<u>\$ 2,105</u>
EXPENDITURES			
Capital outlay	\$ 82,311	\$ 163,379	\$ 81,068
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 40,594	\$ (42,579)	
UNENCUMBERED CASH - JANUARY 1	<u>126,994</u>	<u>49,709</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 167,588</u>	<u>\$ 7,130</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
COMMUNITY CENTER FUND

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS			
Interest	\$ 2,074	\$ 500	\$ 1,574
EXPENDITURES			
Capital outlay	\$ -	\$ 98,155	\$ 98,155
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 2,074	\$ (97,655)	
UNENCUMBERED CASH - JANUARY 1	<u>150,145</u>	<u>97,655</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 152,219</u>	<u>\$ -</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
LIBRARY RENOVATION

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Sales tax	\$ 144,239	\$ -	\$ 144,239
Bond Issue	1,953,095	1,600,000	353,095
Interest	2,877	-	2,877
Miscellaneous	1,200	-	1,200
Transfers	200,000	200,000	-
Total Cash Receipts	<u>\$ 2,301,411</u>	<u>\$ 1,800,000</u>	<u>\$ 501,411</u>
EXPENDITURES			
Capital outlay	\$ 205,320	\$ 1,800,000	\$ 1,594,680
Administrative fees	9,844	-	9,844
Total Expenditures	<u>\$ 215,164</u>	<u>\$ 1,800,000</u>	<u>\$ 1,604,524</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 2,086,247	\$ -	
UNENCUMBERED CASH - JANUARY 1	-	-	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 2,086,247</u>	<u>\$ -</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

SPECIAL REVENUE FUND
POOL RENOVATION

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Sales tax	\$ 144,239	\$ -	\$ 144,239
Bond Issue	1,750,000	1,600,000	150,000
Interest	2,423	-	2,423
Miscellaneous	100	-	100
Transfers	200,000	200,000	-
Total Cash Receipts	<u>\$ 2,096,762</u>	<u>\$ 1,800,000</u>	<u>\$ 296,762</u>
EXPENDITURES			
Capital outlay	\$ 826,413	\$ 1,800,000	\$ 973,587
Administrative fees	9,667	-	9,667
Total Expenditures	<u>\$ 836,080</u>	<u>\$ 1,800,000</u>	<u>\$ 983,254</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 1,260,682	\$ -	
UNENCUMBERED CASH - JANUARY 1	-	-	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 1,260,682</u>	<u>\$ -</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

DEBT SERVICE FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Property taxes	\$ 7,795	\$ 7,844	\$ (49)
Motor vehicle taxes	1,308	1,240	68
Delinquent taxes	225	1,000	(775)
Special assessments	172,292	172,990	(698)
Impact fees	31,650	-	31,650
Interest	10,491	3,500	6,991
Total Cash Receipts	<u>\$ 223,761</u>	<u>\$ 186,574</u>	<u>\$ 37,187</u>
EXPENDITURES			
Principal payments	\$ 225,000	\$ 225,000	\$ -
Interest payments	63,433	63,433	-
Commissions	1	600	599
Total Expenditures	<u>\$ 288,434</u>	<u>\$ 289,033</u>	<u>\$ 599</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (64,673)	\$ (102,459)	
UNENCUMBERED CASH - JANUARY 1	<u>209,539</u>	<u>202,985</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 144,866</u>	<u>\$ 100,526</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2008

CAPITAL IMPROVEMENT FUND
CEDAR RIDGE ESTATES

CASH RECEIPTS

Sale of temporary notes	\$ 180,000
Interest	1,442
Total Cash Receipts	<u>\$ 181,442</u>

EXPENDITURES

Capital outlay	\$ 102,321
Administrative fees	2,076
Interest	25,721
Total Expenditures	<u>\$ 130,118</u>

RECEIPTS OVER (UNDER) EXPENDITURES

\$ 51,324

UNENCUMBERED CASH - JANUARY 1

30,685

UNENCUMBERED CASH - DECEMBER 31

\$ 82,009

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2008

CAPITAL IMPROVEMENT FUND
AUTOMATED METER READER SYSTEM

CASH RECEIPTS	
Interest	\$ -
EXPENDITURES	
Capital outlay	\$ -
RECEIPTS OVER (UNDER) EXPENDITURES	\$ -
UNENCUMBERED CASH - JANUARY 1	<u>8,412</u>
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 8,412</u>

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2008

CAPITAL IMPROVEMENT FUND
WASTEWATER TREATMENT PLANT PROJECT

CASH RECEIPTS	
Intergovernmental	<u>\$ 1,583,697</u>
EXPENDITURES	
Capital outlay	<u>\$ 1,582,657</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 1,040
UNENCUMBERED CASH - JANUARY 1	<u>(10,499)</u>
UNENCUMBERED CASH - DECEMBER 31	<u>\$ (9,459)</u>

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2008

CAPITAL IMPROVEMENT FUND
EASTRIDGE ESTATES

CASH RECEIPTS	
Interest	\$ 201
Special assessments	-
Sale of temporary notes	-
Total Cash Receipts	<u>\$ 201</u>
EXPENDITURES	
Capital outlay	\$ 212,541
Administrative fees	-
Interest	8,372
Total Expenditures	<u>\$ 220,913</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (220,712)
UNENCUMBERED CASH - JANUARY 1	<u>214,307</u>
UNENCUMBERED CASH - DECEMBER 31	<u><u>\$ (6,405)</u></u>

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2008

CAPITAL IMPROVEMENT FUND
THE HIGHLANDS ADDITION

CASH RECEIPTS	
Sale of temporary notes	\$ 4,000,200
Special assessments	262,869
Interest income	18,112
Total Receipts	<u>\$ 4,281,181</u>
EXPENDITURES	
Capital outlay	\$ 3,056,500
Interest on note	47,000
Administrative fees	8,144
Total Expenditures	<u>\$ 3,111,644</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 1,169,537
UNENCUMBERED CASH - JANUARY 1	<u>(10,846)</u>
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 1,158,691</u>

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2008

CAPITAL IMPROVEMENT FUND
DAWSON 4

CASH RECEIPTS	
Interest	\$ 2,316
EXPENDITURES	
Capital outlay	\$ 275,182
Interest	13,973
Total Expenditures	<u>\$ 289,155</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (286,839)
UNENCUMBERED CASH - JANUARY 1	<u>312,886</u>
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 26,047</u>

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

ENTERPRISE FUND
WATER UTILITY FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Charges for services	\$ 1,246,248	\$ 1,476,500	\$ (230,252)
Sales tax	16,497	18,000	(1,503)
Fines and penalties	20,996	15,000	5,996
Interest	33,832	30,000	3,832
Reimbursed expenses	15,020	1,800	13,220
Miscellaneous	6,996	9,000	(2,004)
Total Cash Receipts	<u>\$ 1,339,589</u>	<u>\$ 1,550,300</u>	<u>\$ (210,711)</u>
EXPENDITURES			
Production	\$ 89,478	\$ 141,874	\$ 52,396
Distribution	233,508	258,699	25,191
Commercial	186,136	217,997	31,861
Water treatment plant	208,763	248,110	39,347
Lease purchases	138,343	138,344	1
Debt service			
Principal payments	277,649	309,661	32,012
Interest payments	74,057	90,797	16,740
Commissions	1,558	3,173	1,615
Capital outlay	152,376	343,520	191,144
Transfers	209,500	209,500	-
Total Expenditures	<u>\$ 1,571,368</u>	<u>\$ 1,961,675</u>	<u>\$ 390,307</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (231,779)	\$ (411,375)	
UNENCUMBERED CASH - JANUARY 1	<u>701,969</u>	<u>438,708</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 470,190</u>	<u>\$ 27,333</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

ENTERPRISE FUND
EQUIPMENT RESERVE WATER FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Interest	\$ 10,376	\$ 2,000	\$ 8,376
Transfers	137,000	137,000	-
Total Cash Receipts	<u>\$ 147,376</u>	<u>\$ 139,000</u>	<u>\$ 8,376</u>
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 147,376	\$ 139,000	
UNENCUMBERED CASH - JANUARY 1	<u>673,778</u>	<u>665,388</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 821,154</u>	<u>\$ 804,388</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

ENTERPRISE FUND
RECYCLING FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Charges for services	\$ 57,143	\$ 56,000	\$ 1,143
Interest	4,639	1,000	3,639
Reimbursed expenses	12,764	-	12,764
Miscellaneous	23,405	22,000	1,405
Total Cash Receipts	<u>\$ 97,951</u>	<u>\$ 79,000</u>	<u>\$ 18,951</u>
EXPENDITURES			
Personnel	\$ 61,483	\$ 64,874	\$ 3,391
Service and supplies	15,769	30,028	14,259
Capital outlay	2,879	270,955	268,076
Total Expenditures	<u>\$ 80,131</u>	<u>\$ 365,857</u>	<u>\$ 285,726</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 17,820	\$ (286,857)	
UNENCUMBERED CASH - JANUARY 1	<u>334,105</u>	<u>304,584</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 351,925</u>	<u>\$ 17,727</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

ENTERPRISE FUND
WASTEWATER UTILITY FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Charges for services	\$ 1,448,254	\$ 1,352,100	\$ 96,154
Interest	31,572	10,000	21,572
Reimbursed expenses	47,583	1,000	46,583
Total Cash Receipts	<u>\$ 1,527,409</u>	<u>\$ 1,363,100</u>	<u>\$ 164,309</u>
EXPENDITURES			
Collection	\$ 71,679	\$ 116,246	\$ 44,567
Commercial	152,761	177,291	24,530
Wastewater treatment plant	315,821	261,055	(54,766)
Debt service			
Principal payments	211,125	197,986	(13,139)
Interest payments	170,017	112,004	(58,013)
Commissions	18,035	10,828	(7,207)
Capital outlay	135,192	798,652	663,460
Transfers	92,500	92,500	-
Total Expenditures	<u>\$ 1,167,130</u>	<u>\$ 1,766,562</u>	<u>\$ 599,432</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 360,279	\$ (403,462)	
UNENCUMBERED CASH - JANUARY 1	<u>1,146,677</u>	<u>488,988</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 1,506,956</u>	<u>\$ 85,526</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

ENTERPRISE FUND
EQUIPMENT RESERVE SEWER FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Interest	\$ 2,021	\$ 700	\$ 1,321
Transfers	25,000	25,000	-
Total Cash Receipts	<u>\$ 27,021</u>	<u>\$ 25,700</u>	<u>\$ 1,321</u>
EXPENDITURES	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 27,021	\$ (19,300)	
UNENCUMBERED CASH - JANUARY 1	<u>124,757</u>	<u>132,856</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 151,778</u>	<u>\$ 113,556</u>	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

ENTERPRISE FUND
STORM DRAIN FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Charges for services	\$ 69,433	\$ 70,000	\$ (567)
Interest	4,928	1,000	3,928
Total Cash Receipts	<u>\$ 74,361</u>	<u>\$ 71,000</u>	<u>\$ 3,361</u>
EXPENDITURES			
Capital outlay	\$ 15,417	\$ 373,291	\$ 357,874
Services and supplies	90	10,000	9,910
Transfers	3,500	3,500	-
Total Expenditures	<u>\$ 19,007</u>	<u>\$ 386,791</u>	<u>\$ 367,784</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ 55,354	\$ (315,791)	
UNENCUMBERED CASH - JANUARY 1	<u>336,322</u>	<u>318,716</u>	
UNENCUMBERED CASH - DECEMBER 31	<u>\$ 391,676</u>	<u>\$ 2,925</u>	

Financial Statements

CITY OF ABILENE, KANSAS
SUMMARY OF CASH RECEIPTS, CASH DISBURSEMENTS AND
UNENCUMBERED CASH - AGENCY FUNDS
 For the Year Ended December 31, 2008

FUNDS	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Landfill	\$ 5,795	\$ 34,691	\$ 35,732	\$ 4,754
Abilene Municipal Band	11,526	9,418	10,018	10,926
TOTAL AGENCY FUNDS	<u>\$ 17,321</u>	<u>\$ 44,109</u>	<u>\$ 45,750</u>	<u>\$ 15,680</u>

Financial Statements

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 1: Summary of Significant Accounting Policies

The City of Abilene, Kansas (the City) was chartered March 16, 1868, and operates under a Commissioner-Manager form of government. The accounting policies of the City conform to the cash-basis and budget laws of Kansas (statutory basis). The following is a summary of the more significant policies:

The Financial Reporting Entity

The financial reporting entity of the City of Abilene, Kansas is comprised of the primary government (the City) and its component unit.

The basic criterion for including a separate governmental entity in the City's financial reporting entity is the financial accountability of the City for the separate entity. The City is financially accountable if it appoints a voting majority of a component unit's governing body and if it either has the ability to impose its will on the component unit or there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

The City's component unit is discussed in the *Discretely Presented Component Units* section of this note and is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. In the financial statements in this report, the various funds are grouped into generic fund types and broad fund categories as follows:

Governmental Funds

General Fund - The general fund is the general operating fund of the City. It is used to account for all unrestricted 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 that are legally restricted to expenditures for specific purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Project Fund - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

Enterprise Funds - Enterprise funds are used to account for operations that provide goods or services to the general public on a continuing basis. Such operations are financed and operated in a manner similar to private business enterprises and a) are intended to be self-supporting through charges to users or b) the governing body has deemed it appropriate to account for them as enterprise funds for capital maintenance, public policy, management control, accountability, or other purposes.

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

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

Note 1: Summary of Significant Accounting Policies (Continued)
Statutory Basis of Presentation

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

The City has obtained a waiver from generally accepted accounting principles from the State of Kansas, which allows the City to revert to the statutory basis of accounting.

Departure From Generally Accepted Accounting Principles

The basis of accounting described above results in a financial presentation which shows cash receipts, disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenditures, 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 balances; 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. General fixed assets that account for the land, buildings and equipment owned by the City 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.

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 and annual operating budget.

1. Preparation of 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.

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.

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrances method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitments, such as a purchase order or contract. All encumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, trust funds, and the following special revenue funds:

- Equipment Reserve
- Capital Improvement

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

Discretely Presented Component Units

The component unit section of the financial statements includes the financial data of the City's component unit, Abilene Public Library. It is reported separately to emphasize that it's legally separate from the City. The City Commission appoints the governing body of Abilene Public Library.

The Library is organized under KSA 12-1218. The City levies a property tax for the Library under KSA 79-1952, which is deposited in a City special revenue fund and transferred to the Library for its operations. Separate financial statements of the Library may be obtained from its administrative office.

Special Assessments

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Bond and Interest Fund.

Compensated Absences

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to all accrued vacation leave upon termination. Employees with more than 20 years of tenure are entitled to 25% of their sick leave balance upon retirement or separation. At December 31, 2008, the City's liability for unused vacation time is approximately \$ 101,500, attributable to governmental and proprietary funds. Sick leave is estimated to be \$ 21,600.

Deposits and Investments

As of December 31, 2008, the City had no investments and maturities.

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

Note 2: Deposits and Investments

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. At December 31, 2008, the City had no investments applicable under these statutes.

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 had no designated "peak periods".

At December 31, 2008, the carrying amount of the City's deposits, including certificates of deposit, was \$13,234,001 and the bank balance was \$13,455,064. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$1,078,007 was covered by federal depository insurance; \$12,377,057 was collateralized and protected by surety bond or safekeeping agreement with the Federal Reserve and held by the City or Federal Reserve.

Custodial 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.

At December 31, 2008, the City held no investments with public money.

Kansas statutes authorize the City to invest in U.S. Treasury bills and notes, repurchase agreements, and the State Municipal Investment Pool. All investments must be insured, registered, or held by the City or its agent in the City's name.

The City maintains a cash and investment pool that is available for use by all funds. The City conducts all its banking transactions with Solomon State Bank, Astra Bank, and Pinnacle Bank. Interest revenue received from investment activities is allocated to the appropriate funds.

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2008

Note 3: Long-Term Debt

Changes in long-term liabilities for the City for the year ended December 31, 2008, were as follows:

ISSUE	Interest Rates	Date of Issue	Amount of Issue	Final Maturity	Beginning of Year	Additions	Reductions/Payments	Net Change	End of Year	Interest Paid
General Obligation Bonds										
1998 Hidden Meadows #4	5.00%	9/1/98	\$ 75,000	9/1/08	\$ 10,000	\$ -	\$ 10,000	\$ (10,000)	\$ -	\$ 500
1999 Fitzsimmons #1	Var - 4.30%	4/1/99	270,000	3/1/09	80,000	-	40,000	(40,000)	40,000	2,570
2002-Enterprise Refunding Bonds	Var - 4.0%	8/1/02	2,685,000	9/1/13	1,580,000	-	245,000	(245,000)	1,335,000	57,898
2003 21st Brady	Var - 3.25%	7/1/03	1,300,000	9/1/13	840,000	-	125,000	(125,000)	715,000	23,813
2005 Series A	Var - 4.10%	6/15/05	460,000	9/1/15	365,000	-	40,000	(40,000)	345,000	12,600
2006 Series	Var - 4.05%	9/1/06	300,000	9/1/17	300,000	-	10,000	(10,000)	290,000	23,950
2008 Series B	Var - 4.00%	6/1/08	3,700,000	6/1/18	-	3,700,000	-	3,700,000	3,700,000	-
Total General Obligation Bonds			\$ 8,790,000		\$ 3,195,000	\$ 3,700,000	\$ 470,000	\$ 3,230,000	\$ 6,425,000	\$ 121,331
Revolving Loans										
KDHE Project C20 1480 Sewer	3.07%	3/25/98	\$ 850,000	3/1/18	\$ 400,981	\$ -	\$ 31,157	\$ (31,157)	\$ 369,824	\$ 11,090
KDHE Project 2001 Water	3.98%	12/7/98	1,400,000	2/1/19	922,300	-	64,660	(64,660)	857,640	32,898
KDHE Waste Water Treatment Plant	2.58%	9/1/06	8,662,000	9/1/28	6,661,915	1,583,697	179,968	1,403,729	8,065,644	158,927
Total Revolving Loans			\$ 10,912,000		\$ 7,985,196	\$ 1,583,697	\$ 275,785	\$ 1,307,912	\$ 9,288,108	\$ 202,915
Capital Leases										
Fire truck	3.75%	5/1/03	\$ 141,676	8/1/08	\$ 30,747	\$ -	\$ 30,747	\$ (30,747)	\$ -	\$ 1,146
Street sweeper	3.75%	9/1/04	65,868	9/1/09	27,828	-	13,653	(13,653)	14,175	1,061
Meter reader system	3.50%	6/20/04	1,160,433	5/20/14	845,903	-	108,736	(108,736)	737,167	29,807
Total Capital Leases			\$ 1,367,977		\$ 904,478	\$ -	\$ 153,136	\$ (153,136)	\$ 751,342	\$ 31,814
Temporary Notes										
Cedar Ridge Estates	3.80%	9/11/06	\$ 676,880	9/15/10	\$ 676,880	\$ -	\$ -	\$ -	\$ 676,880	\$ 25,721
Eastridge Estates	3.63%	2/15/07	460,000	2/15/11	460,000	-	-	-	460,000	16,744
Dawson 4	3.45%	11/15/07	405,000	11/15/09	405,000	-	-	-	405,000	13,972
Cedar Ridge Estates	2.50%	2/15/08	180,000	2/15/09	-	180,000	-	180,000	180,000	-
The Highlands Addition	2.33%	5/15/08	4,000,000	5/15/10	-	4,000,000	-	4,000,000	4,000,000	47,000
Total Temporary Notes			\$ 5,721,880		\$ 1,541,880	\$ 4,180,000	\$ -	\$ 4,180,000	\$ 5,721,880	\$ 103,437
TOTAL LONG-TERM DEBT					\$ 13,626,554	\$ 9,483,697	\$ 898,921	\$ 8,564,776	\$ 22,191,330	\$ 459,497

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2008

Note 3: Long-Term Debt (Continued)

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

PRINCIPAL	2009	2010	2011	2012	2013	2014-2018	2019-2023	2024-2028	Total
General Obligation Bonds									
1999 Fitzsimmons #1	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,000
2002-Enterprise Refunding Bonds	255,000	265,000	280,000	290,000	245,000	-	-	-	1,335,000
2003 21st Brady	130,000	135,000	145,000	150,000	155,000	-	-	-	715,000
2005 Series A	45,000	45,000	45,000	50,000	50,000	110,000	-	-	345,000
2006 Series	25,000	30,000	30,000	30,000	30,000	145,000	-	-	290,000
2008 Series B	320,000	290,000	310,000	330,000	350,000	2,100,000	-	-	3,700,000
Total General Obligation Bonds	\$ 815,000	\$ 765,000	\$ 810,000	\$ 850,000	\$ 830,000	\$ 2,355,000	\$ -	\$ -	\$ 6,425,000
Revolving Loans									
KDHE Project C20 1480 Sewer	\$ 32,121	\$ 33,115	\$ 34,139	\$ 35,195	\$ 36,284	\$ 198,970	\$ -	\$ -	\$ 369,824
KDHE Project 2001 Water	67,259	69,963	72,775	75,700	78,743	443,816	49,384	-	857,640
KDHE Wastewater Treatment Plant	340,138	349,970	368,032	367,328	376,867	2,096,306	2,314,775	1,923,228	8,065,644
Total Revolving Loans	\$ 439,518	\$ 452,048	\$ 464,946	\$ 478,223	\$ 491,894	\$ 2,679,092	\$ 2,364,159	\$ 1,923,228	\$ 9,293,108
Capital Leases									
Street sweeper	\$ 14,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,175
Meter reader system	112,542	110,806	117,455	124,502	131,972	139,890	-	-	737,167
Total Capital Leases	\$ 126,717	\$ 110,806	\$ 117,455	\$ 124,502	\$ 131,972	\$ 139,890	\$ -	\$ -	\$ 751,342
Temporary Notes									
Cedar Ridge Estates	\$ -	\$ 676,880	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 676,880
Eastridge Estates	-	-	460,000	-	-	-	-	-	460,000
Dawson 4	405,000	-	-	-	-	-	-	-	405,000
Cedar Ridge Estates	180,000	-	-	-	-	-	-	-	180,000
The Highlands Addition	-	4,000,000	-	-	-	-	-	-	4,000,000
Total Temporary Notes	\$ 565,000	\$ 4,676,880	\$ 460,000	\$ -	\$ 5,721,880				
TOTAL PRINCIPAL	\$ 1,966,235	\$ 6,004,734	\$ 1,852,401	\$ 1,452,725	\$ 1,453,866	\$ 5,179,982	\$ 2,364,159	\$ 1,923,228	\$ 22,191,330

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2008

Note 3: Long-Term Debt (Continued)

	2009	2010	2011	2012	2013	2014-2018	2019-2023	2024-2028	Total
INTEREST									
General Obligation Bonds									
1999 Fitzsimmons #1	\$ 1,720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,720
2002-Enterprise Refunding Bonds	49,935	41,138	31,465	20,965	9,800	-	-	-	153,303
2003 2 nd Brady	24,500	20,708	16,377	11,302	5,877	-	-	-	78,764
2005 Series A	11,440	10,090	8,695	7,255	5,605	5,858	-	-	48,943
2006 Series	11,570	10,558	9,343	8,128	6,912	14,616	-	-	61,127
2008 Series B	156,105	120,690	108,690	96,303	84,515	212,863	-	-	779,166
Total General Obligation Bonds	\$ 255,270	\$ 203,184	\$ 174,870	\$ 143,953	\$ 112,709	\$ 233,337	\$ -	\$ -	\$ 1,123,023
Revolving Loans									
KDHE Project C20 1480 Sewer	\$ 11,109	\$ 10,115	\$ 9,091	\$ 8,035	\$ 6,946	\$ 17,181	\$ -	\$ -	\$ 62,477
KDHE Project 2001 Water	33,471	30,768	27,956	25,030	21,988	59,837	983	-	200,033
KDHE Wastewater Treatment Plant	195,969	187,982	179,909	171,414	162,799	676,752	425,267	139,389	2,139,391
Total Revolving Loans	\$ 240,549	\$ 228,875	\$ 216,856	\$ 204,479	\$ 191,733	\$ 753,770	\$ 426,250	\$ 139,389	\$ 2,401,901
Capital Leases									
Street sweeper	540	-	-	-	-	-	-	-	540
Meter reader system	25,801	37,478	30,829	23,782	16,312	8,393	-	-	142,595
Total Capital Leases	\$ 26,341	\$ 37,478	\$ 30,829	\$ 23,782	\$ 16,312	\$ 8,393	\$ -	\$ -	\$ 143,135
Temporary Notes									
Cedar Ridge Estates	\$ 25,721	\$ 25,721	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,442
Eastridge Estates	16,744	16,744	8,372	-	-	-	-	-	41,860
Dawson 4	13,973	-	-	-	-	-	-	-	13,973
Cedar Ridge Estates	4,500	-	-	-	-	-	-	-	4,500
The Highlands Addition	94,000	47,000	-	-	-	-	-	-	141,000
Total Temporary Notes	\$ 154,938	\$ 89,465	\$ 8,372	\$ -	\$ 252,775				
TOTAL INTEREST	\$ 677,098	\$ 559,002	\$ 430,627	\$ 372,214	\$ 320,754	\$ 995,500	\$ 426,250	\$ 139,389	\$ 3,920,834
TOTAL PRINCIPAL & INTEREST	\$ 2,643,333	\$ 6,563,736	\$ 2,283,028	\$ 1,824,939	\$ 1,774,620	\$ 6,169,482	\$ 2,790,409	\$ 2,062,617	\$ 26,112,164

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

Note 3: Long-Term Debt (Continued)

Upon authorization for the issuance of general obligation bonds for certain improvements, Kansas law permits the temporary financing of such improvements by the issuance of temporary notes. Temporary notes issued may not exceed the aggregate amount of bonds authorized, must be interest bearing and have a maturity date not later than four years from the date of issuance of such temporary notes. Temporary notes outstanding are usually retired from the proceeds of the sale of general obligation bonds.

The City plans to issue general obligation bonds in 2009 to redeem the temporary notes outstanding at December 31, 2008.

Conduit Debt

From time to time, the City has issued industrial revenue bonds to provide financial assistance to the private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are generally payable from and secured by the project financed and if needed, additional assets or revenues of the private-sector entity served by the bond issuance. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2008, there was one industrial revenue bond outstanding. The principal amount payable at December 31, 2008 could not be determined, however, the original issue of the bond was \$1,750,000.

Development Surety Deposits

Under City statutes, the developers of certain subdivisions are required to provide security bonds from a surety bonding company payable to the City until the improvements are completed. In lieu of the surety bond, the developer may provide a surety deposit to the City to be held until the improvements are completed and deemed acceptable. The City entered into one such deposit agreement with the developer of the Highlands Addition. In 2008, the developer provided a deposit in the amount of \$262,869 and paid up front engineering costs of \$361,865 for the project. The City will be obligated to return the deposit and reimburse the developer for the engineering costs when a specified percentage of lots are occupied or 5 years from the issuance date of the surety.

Note 4: Defined Benefit Pension Plan

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by KSA 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, KS 66503-3803) or by calling 1-888-275-5737.

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2008

Note 4: Defined Benefit Pension Plan (Continued)

Funding Policy

KSA 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. KSA 74-4975 establishes KP&F member-employee contribution rate at 7% 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 rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for January 1, 2008 to December 31, 2008 is 5.93%. The City employer contributions to KPERS for the years ended December 31, 2008, 2007 and 2006 were \$59,195, \$59,237 and \$49,497, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2008 is 13.88%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's contribution to KP&F for the years ended December 31, 2008, 2007 and 2006 were \$123,978, \$115,678 and \$101,932, respectively, equal to the statutory required contributions for each year.

Note 5: Post-Employment Disclosures

The City's personnel policy includes a provision whereby the City provides 50% of the cost of health insurance benefits until age 62 to retirees with 10 or more years of service. As of December 31, 2008 the City has three retirees meeting the eligibility requirements.

The estimated liability at December 31, 2008 for these employees until the benefits expire is approximately \$ 37,500.

Note 6: Capital Projects

At year-end, capital projects authorizations with approved change orders compared with expenditures from inception are:

Project Name	Expenditures to Date	Project Authorizations
Cedar Ridge Estates	\$ 774,415	\$ 856,880
Wastewater Treatment Plant	9,600,677	9,624,200
Eastridge Estates	466,443	498,022
Dawson 4	379,660	435,127
The Highlands Addition	3,668,635	4,571,276
Total at December 31, 2008	\$ 14,889,830	\$ 15,985,505

Note 7: Commitments and Contingencies

Construction Contracts

At December 31, 2008, the City had pending construction project contracts. Commitments related to significant contracts include contracts for the City's capital improvements.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages these various risks of loss through commercial insurance with varying deductibles. All deductibles are \$3,000 or less. Claims have not exceeded this commercial coverage in any of the three preceding years.

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2008

Note 8: Transfers

Transfers were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 143,500	\$ 740,600
Water Fund	-	209,500
Sewer Fund	-	92,500
Equipment Reserve	120,600	-
Tourism and Convention	20,000	-
Special Street	200,000	-
Storm Water Drain	-	3,500
Equipment Reserve Water	137,000	-
Equipment Reserve Sewer	25,000	-
Library Renovation	200,000	-
Pool Renovation	200,000	-
Total Transfers	\$ 1,046,100	\$ 1,046,100

Note 9: Stewardship, Compliance and Accountability

As of December 31, 2008, there were no budgeted funds which showed a deficit unencumbered cash balance. There were no budgeted funds that incurred more expense than was budgeted for the year ended December 31, 2008.

As of December 31, 2008, there were two non-budgeted funds, Wastewater Treatment Plant and Eastridge Estates, which showed deficit unencumbered cash balances. The deficit balance in the Wastewater Treatment Plant fund is due to the timing of draw downs for expenditures from available revolving loan funds. The deficit in the Eastridge Estates fund is due to costs exceeding the proceeds of the temporary notes issued relating to the project. The temporary notes were to be redeemed with a G.O. bond issue in 2009 which would also cover the cash deficit.

Note 10: Abilene Recreation Commission

The Abilene Recreation Commission amended its inter-local agreement with the City of Abilene, effective December 19, 2007. Under this agreement the City of Abilene collects funds on the Commission's behalf and administers the funds to benefit the Abilene Parks and Recreation department recreation funds.

As of December 31, 2007, the Recreation fund showed a deficit unencumbered cash balance of \$205,023. This was a receivable to the City of Abilene from the Abilene Recreation Commission and was not a true unencumbered cash deficit.

As of August 18, 2008, all Recreation Commission funds are being held by the City of Abilene.

Note 11: Insurance Proceeds

The City received proceeds from insurance totaling approximately \$240,000 relating to a fire that damaged property at the City Shop in November 2007. The City received the funds based on estimated costs of repairs that were performed in 2008 and 2009. The proceeds are included as cash receipts in the General Fund.

SUPPLEMENTAL INFORMATION

**CITY OF ABILENE, KANSAS
COMPOSITION OF ENDING CASH BALANCES
For the Year Ended December 31, 2008**

Checking Accounts		
Astra Bank, Abilene	\$ 8,752,137	
Astra Bank, Abilene, LLEBG	<u>6,063</u>	\$ 8,758,200
Money Market Accounts		
Astra Bank, Abilene		348,338
Savings Account		
Pinnacle Bank, Abilene - Bill Gravette Memorial		373
Certificates of Deposit		
Solomon State Bank, Abilene	\$ 2,092,369	
Pinnacle Bank, Abilene	<u>1,719,787</u>	\$ 3,812,156
Change Fund and Petty Cash		
City Treasurer	\$ 250	
Police Department	100	
Recreation Commission	30	
Water Fund	<u>250</u>	<u>630</u>
		\$ 12,919,697
Abilene Municipal Band		
Checking - Pinnacle Bank, Abilene	\$ 1,640	
CD - Pinnacle Bank, Abilene	<u>9,286</u>	\$ 10,926
Component Units		
Abilene Library		<u>319,058</u>
TOTAL CASH BALANCES		<u><u>\$ 13,249,681</u></u>

Supplemental Information



August 5, 2009

Mayor and Commission Members
City of Abilene, Kansas

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited the financial statements of the City of Abilene, Kansas (the City) as of and for the year ended December 31, 2008 and have issued our report thereon dated August 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Abilene, Kansas's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Independent Auditors' Report

August 5, 2009
City of Abilene, Kansas
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Manhattan, Kansas

Independent Auditors' Report



August 5, 2009

Mayor and Commission Members
City of Abilene, Kansas

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of the City of Abilene, Kansas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Abilene, Kansas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City of Abilene, Kansas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Independent Auditors' Report

August 5, 2009
City of Abilene, Kansas
(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

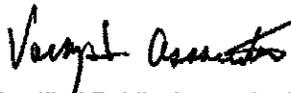
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Commission, others within the entity, and federal awarding agencies and pass-through entities.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the City of Abilene, Kansas as of and for the year ended December 31, 2008, and have issued our report thereon dated August 5, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the City Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Manhattan, Kansas

CITY OF ABILENE, KANSAS
SCHEDULE OF FEDERAL EXPENDITURES
For the Year Ended December 31, 2008

	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Department of Human Services through the Kansas Division of Emergency Management Disaster Grants - Public Assistance	97.036	\$ 101,067
Department of Justice through the State of Kansas Governors Grants Program Justice Assistance Grant Program	16.738	11,428
Department of Transportation through the Kansas Department of Transportation Safe Routes to Schools	20.105	3,701
Public Transportation Assistance - Section 5311	20.509	19,512
Environmental Protection Agency through the Kansas Department of Health & Environment Capitalization Grants for Clean Water State Revolving Funds	66.458*	<u>1,572,307</u>
TOTAL FEDERAL EXPENDITURES		<u>\$ 1,708,015</u>

* Major Programs

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Abilene, Kansas and is presented on the cash basis of accounting. The cash basis is a summary of cash received and expended during the grant period extending from January 1, 2008 to December 31, 2008. Revenues are recognized when received and expenditures when paid rather than when earned and incurred as required by generally accepted accounting principles. Therefore, this statement is not intended to conform to generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Supplemental Information

CITY OF ABILENE, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	___ Yes	<u>X</u> No
Reportable conditions identified not considered to be material weaknesses?	___ Yes	<u>X</u> None reported
Noncompliance material to financial statements noted?	___ Yes	<u>X</u> No

Federal Awards

Internal controls over major programs:		
Material weaknesses identified?	___ Yes	<u>X</u> No
Reportable conditions identified not considered to be material weaknesses?	___ Yes	<u>X</u> None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	___ Yes	<u>X</u> No
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Identification of major programs:

<u>Name of Federal program</u>	<u>CFDA Number</u>
Capitalization Grant for Clean Water State Revolving Funds	66.458

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
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Auditee qualified as a low-risk auditee?	<u>X</u> Yes	___ No
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Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Supplemental Information

CITY OF ABILENE, KANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2008

There were no prior year findings.

Supplemental Information