

CITY OF CHANUTE, KANSAS

Financial Statements
and
Independent Auditors' Report
and
Federal Compliance Section

For the Year Ended December 31, 2008



Management Letter
(Communication required under SAS No. 112)

July 8, 2009

Honorable Mayor and City Commission
City of Chanute, Kansas

In planning and performing our audit of the financial statements of the City of Chanute, Kansas, as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Chanute, Kansas's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a combination of control deficiencies, that adversely affects the entity'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 entity's financial statements 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 a 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 entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above.

Other Matters

As a result of planning and performing the audit, we noted certain other matters that came to our attention that are not reflected in the auditors' report or the financial statements which we feel worthy of consideration by management. These matters are presented below:

Cost Allocation

During inquiry with management, it was noted the City changed its allocation method for the various internal service funds during the year ended December 31, 2008. Utility funds with additional funds were used to pay expenses for departments with shortfalls. Payment of these expenses with utility revenues is acceptable under Kansas statutes, however, we recommend a different accounting method be used. Expenses should be coded to the proper department, then a transfer from various utility funds should then be made to cover the shortfalls of any given department. With this methodology the City will know the true costs to run each department and make better informed decisions.

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UMB Escrow Bank Account

It was noted during the audit that there is an escrow bank account set up for the receipt and payment of the Special Obligation Bonds that is not included in the City's general ledger. It is important that all transactions and accounts of the City be included in general ledger. The inclusion of the escrow account activity has inadvertently caused the City to obligate expenditures in excess of budgetary limits. We recommend all accounts of the City be included in the City's general ledger and follow current City policy for the disbursement of funds and reconciliation to strengthen internal control.

Municipal Solid Waste Landfill Closure and Post Closure Care

We recommend the City develop a long range plan to fund the estimated closure and post closure costs of the municipal landfill. The development of a long range management plan for City to fund this estimated liability represents a key step in providing responsible stewardship of these valued public assets.

This communication is intended solely for the information and use of management, the City Commission, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

CITY OF CHANUTE, KANSAS

For the Year Ended December 31, 2008

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CITY OF CHANUTE, KANSAS

For the Year Ended December 31, 2008

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JARRED, GILMORE & PHILLIPS, PA

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commission
City of Chanute, Kansas
Chanute, Kansas

We have audited the accompanying financial statements of the City of Chanute, Kansas, 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 of Chanute, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the City's 2007 financial statements and, in our report dated July 17, 2008, we expressed an unqualified opinion on the financial statements of the City of Chanute, Kansas, prepared in accordance with the statutory basis of accounting.

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

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

The financial statements, referred to above, do not include financial data of the Chanute Housing Authority, a component unit, which should be included in order to conform with accounting principles generally accepted in the United States of America. The effect on the financial statements, although not reasonably determinable, is presumed to be material.

In our opinion, because of the omission of the Chanute Housing Authority, a component unit, and the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Chanute, Kansas as of December 31, 2008, or the changes in its financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Chanute, Kansas, as of December 31, 2008, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2009, on our consideration of the City of Chanute, Kansas' 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Chanute, Kansas' 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 City of Chanute, Kansas. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Jarred, Gilmore & Phillips, PA
JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

July 8, 2009
Chanute, Kansas

CITY OF CHANUTE, KANSAS

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

Funds	Beginning			Ending	Add		Cash Balance	
	Unencumbered	Cash	Receipts	Expenditures	Unencumbered	Encumbrances	December 31,	2007
	\$	\$		\$	\$	\$	\$	
General Fund	\$ 434,563.42	\$ 5,423,426.89		\$ 5,649,903.85	\$ 208,086.46	\$ 267,887.90	\$ 475,974.36	\$ 674,088.92
Special Revenue Funds:								
Industrial	83,716.19	10,759.32		16,864.12	77,611.39	4,448.51	82,059.90	85,216.19
Library	348.83	295,930.02		289,400.00	6,878.85	-	6,878.85	348.83
Library Employee Benefit	1,146.24	45,545.53		43,000.00	3,691.77	-	3,691.77	1,146.24
City Employee Benefit	394,323.11	1,026,818.48		830,953.08	590,188.51	268.50	590,457.01	400,278.52
Special Liability Expense	553,305.30	74,449.60		72,665.52	555,089.38	-	555,089.38	553,305.30
Special Parks and Recreation	91,211.89	48,376.25		33,691.81	105,896.33	623.52	106,519.85	91,211.89
Special Alcohol Programs	70,667.94	26,292.17		8,203.14	88,756.97	-	88,756.97	71,755.32
Tourism and Convention	71,700.55	106,017.19		67,840.84	109,876.90	83.59	109,960.49	71,700.55
Emergency Telephone	30,349.03	38,180.22		14,097.98	54,431.27	-	54,431.27	30,349.03
Special Highway Improvement	7,212,286.55	506,027.04		2,731,999.22	4,986,314.37	282,742.11	5,269,056.48	7,219,868.81
Capital Improvement #1	6,117,364.97	1,663,820.20		3,880,727.02	3,900,458.15	206,258.22	4,106,716.37	8,128,585.20
Capital Improvement #2	472,393.88	251,164.14		294,904.68	428,653.34	43,286.72	471,940.06	474,986.53
Equipment Reserve	1,260,180.29	192,928.00		969,619.37	483,488.92	11,878.87	495,367.79	1,341,950.40
Debt Service Fund:								
General Obligation Bond and Interest	195,343.12	1,785,896.63		1,872,465.00	108,774.75	-	108,774.75	195,343.12
Special Obligation Bond and Interest	1,546.19	62,106.05		48,439.00	15,213.24	-	15,213.24	1,546.19
Enterprise Funds:								
Electric Utility	2,267,073.60	27,448,263.53		27,781,222.26	1,934,114.87	2,234,333.11	4,168,447.98	4,261,415.19
Water Utility	179,741.88	1,362,854.09		1,333,898.86	208,697.11	53,462.49	262,159.60	257,452.32
Gas Utility	438,062.75	5,863,778.94		5,645,855.15	655,986.54	427,720.26	1,083,706.80	900,181.32
Refuse Utility	102,728.56	1,043,382.86		925,151.79	220,959.63	41,856.41	262,816.04	121,959.14
Sewer Utility	226,434.29	1,234,129.25		1,184,148.37	276,415.17	33,092.10	309,507.27	253,631.73
Electric, Water & Gas Bond and Interest	1,059,013.32	2,173,864.28		2,243,620.00	989,257.60	-	989,257.60	1,059,013.32
Electric, Water & Gas Bond Reserve	2,926,645.33	5,616.88		-	2,932,262.21	-	2,932,262.21	2,926,645.33
Electric, Water & Gas Replacement Reserve	300,000.00	-		300,000.00	-	-	-	300,000.00
Intergovernmental Service Funds								
Vehicle Services	7,712.04	518,311.21		526,005.38	17.87	8,728.63	8,746.50	20,147.35
Utility Services	4,816.79	874,416.50		879,229.38	3.91	35,123.55	35,127.46	29,636.64
Public Works and Utility Complex	1,197.07	158,257.67		158,225.72	1,229.02	12,054.98	13,284.00	10,585.42
Total Primary Government (Excluding Agency Funds)	24,503,873.13	52,240,612.94		57,802,131.54	18,942,354.53	3,663,849.47	22,606,204.00	29,482,348.80
Component Units								
Chanute Public Library	336,912.37	392,068.73		364,538.47	364,442.63	21,272.42	385,715.05	355,399.21
Total Reporting Entity (Excluding Agency Funds)	\$ 24,840,785.50	\$ 52,632,681.67		\$ 58,166,670.01	\$ 19,306,797.16	\$ 3,685,121.89	\$ 22,991,919.05	\$ 29,837,748.01

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

Statement 1 (continued)**CITY OF CHANUTE, KANSAS**

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

	2008	2007
Total Cash to be accounted for:	<u>\$ 22,991,919.05</u>	<u>\$ 29,837,748.01</u>
Composition of Cash:		
Cash on Hand	\$ 2,015.00	\$ 2,115.00
Checking Accounts:		
City Treasurer	8,779,779.33	3,755,488.29
Payroll Account	7,267.78	7,562.09
Health Plan Account	581,540.40	692,179.95
ISF Check Account	9,845.66	7,398.73
General Petty Cash	3,500.00	3,500.00
Security Deposit Account	108,131.38	108,268.77
Utility Petty Cash Account.....	500.00	500.00
Investments:		
Certificates of Deposit	2,847,747.00	5,150,355.00
UMB Escrow Accounts	189.41	2,591.19
U.S. Treasury Notes	3,897,029.63	11,145,729.74
U.S. Treasury Bills	5,057,990.81	7,966,936.26
Federal Home Loan Banks	1,669,417.10	1,669,417.10
Federal Natl. Mortgage Assn.	<u>1,174,530.38</u>	<u>1,174,530.38</u>
Total Primary Government	24,139,483.88	31,686,572.50
Total Component Units	<u>385,715.05</u>	<u>355,399.21</u>
Total Cash	<u>24,525,198.93</u>	<u>32,041,971.71</u>
Agency Funds Per Statement 4	<u>(1,533,279.88)</u>	<u>(2,204,223.70)</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 22,991,919.05</u>	<u>\$ 29,837,748.01</u>

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

CITY OF CHANUTE, KANSAS
 Summary of Expenditures - Actual and Budget
 (Budgeted Funds Only)
 For the Year Ended December 31, 2008

Funds	Certified Budget	Adjustments for Qualifying Budget Credits		Total Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
General Fund	\$ 6,609,186.00	\$ 55,172.62		\$ 6,664,358.62	\$ 5,649,903.85	\$ (1,014,454.77)
Special Revenue Funds:						
Industrial	76,000.00	-		76,000.00	16,864.12	(59,135.88)
Library	289,400.00	-		289,400.00	289,400.00	-
Library Employee Benefit	43,000.00	-		43,000.00	43,000.00	-
City Employee Benefit	886,000.00	103,553.78		989,553.78	830,953.08	(158,600.70)
Special Liability Expense	500,000.00	53,384.13		553,384.13	72,665.52	(480,718.61)
Special Parks & Recreation	59,400.00	-		59,400.00	33,691.81	(25,708.19)
Special Alcohol Programs	83,000.00	-		83,000.00	8,203.14	(74,796.86)
Tourism and Convention	88,000.00	-		88,000.00	67,840.84	(20,159.16)
Emergency Telephone	25,000.00	-		25,000.00	14,097.98	(10,902.02)
Special Highway Improvement	6,775,335.00	31,921.04		6,807,256.04	2,731,999.22	(4,075,256.82)
Debt Service Fund:						
General Obligation Bond and Interest	1,872,465.00	-		1,872,465.00	1,872,465.00	-
Special Obligation Bond and Interest	46,744.00	-		46,744.00	48,439.00	1,695.00
Enterprise Funds:						
Electric Utility	29,632,468.00	198,027.43		29,830,495.43	27,781,222.26	(2,049,273.17)
Water Utility	1,878,499.00	-		1,878,499.00	1,333,898.86	(544,600.14)
Gas Utility	6,425,431.00	100.00		6,425,531.00	5,645,855.15	(779,675.85)
Refuse Utility	1,281,261.00	-		1,281,261.00	925,151.79	(356,109.21)
Sewer Utility	1,500,337.00	-		1,500,337.00	1,184,148.37	(316,188.63)
Electric, Water & Gas Bond and Interest	2,243,620.00	-		2,243,620.00	2,243,620.00	-

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

**CITY OF CHANUTE, KANSAS
GENERAL FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 994,140.96	\$ 842,980.49	\$ 853,664.00	\$ (10,683.51)
Delinquent Tax	19,007.22	27,850.89	-	27,850.89
Motor Vehicle Tax	168,530.25	174,824.35	163,016.00	11,808.35
Rental Motor Vehicle Tax	259.24	371.36	-	371.36
Recreational Vehicle Tax	1,922.14	1,811.49	1,934.00	(122.51)
16M-20M Truck Tax	1,017.77	1,936.72	718.00	1,218.72
Payments in Lieu of Taxes	6,226.90	4,072.66	-	4,072.66
Sales Tax	2,660,710.38	2,738,102.32	2,249,330.00	488,772.32
Franchise Taxes	90,125.38	89,887.78	92,500.00	(2,612.22)
Special Assessments	4,432.50	6,874.25	-	6,874.25
Intergovernmental				
Highway Connecting Links	16,710.01	16,721.51	18,670.00	(1,948.49)
Local Alcoholic Liquor Tax	24,682.21	24,926.67	22,330.00	2,596.67
Federal Grants	7,075.24	450.00	-	450.00
Licenses and Permits				
Business Licenses, Permits & Fees	12,265.00	12,031.00	-	12,031.00
Non-Business Licenses, Permits & Fees	81,759.90	30,037.53	-	30,037.53
Charges for Services				
General Government Services	8,370.00	6,560.00	360,000.00	(353,440.00)
Public Safety Services	64,867.44	65,677.40	-	65,677.40
Public Works Services	4,422.77	5,449.40	-	5,449.40
Health Services	5,512.30	5,185.00	-	5,185.00
Culture and Recreation Services	18,736.62	15,633.50	-	15,633.50
Fines, Forfeitures and Penalties				
Fines	190,710.74	191,494.07	180,000.00	11,494.07
Use of Money and Property				
Interest Income	14,248.00	-	-	-
Rents & Royalties	13,690.80	33,865.73	-	33,865.73
Sale of Equipment and Property	203,675.45	251,283.69	-	251,283.69
Other Revenues				
Donations	1,000.00	-	-	-
Miscellaneous	7,688.68	7,386.19	-	7,386.19
Reimbursed Expense	14,648.73	55,172.62	-	55,172.62
Operating Transfers from:				
Electric Utility Fund	957,397.00	586,496.55	1,700,000.00	(1,113,503.45)
Water Utility Fund	-	-	102,000.00	(102,000.00)
Gas Utility Fund	49,544.00	226,343.72	411,000.00	(184,656.28)
Sewer Utility Fund	40,000.00	-	76,174.00	(76,174.00)
Total Cash Receipts	5,683,377.63	5,423,426.89	\$ 6,231,336.00	\$ (807,909.11)

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

**CITY OF CHANUTE, KANSAS
GENERAL FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Expenditures and Transfers				
Subject to Budget				
City Commission	\$ 107,382.20	\$ 82,251.48	\$ 95,100.00	\$ (12,848.52)
Municipal Court	95,248.74	92,984.61	108,100.00	(15,115.39)
City Manager's Office	317,535.72	211,851.72	377,200.00	(165,348.28)
General Administrative Services	229,529.26	337,676.91	680,899.00	(343,222.09)
Engineering & Inspection	485,394.37	337,548.37	538,000.00	(200,451.63)
Legal Services	93,717.65	96,946.31	98,800.00	(1,853.69)
Information Services	27,286.15	15,424.88	33,000.00	(17,575.12)
Public Buildings & Grounds	195,829.97	235,539.25	200,300.00	35,239.25
Police Department	1,403,011.33	1,453,661.61	1,517,950.00	(64,288.39)
Fire Department	825,233.95	841,532.15	945,350.00	(103,817.85)
Animal Control	60,745.60	62,882.24	71,700.00	(8,817.76)
Civil Defense	2,582.16	499.21	-	499.21
Streets and Roads	858,802.11	973,260.34	948,600.00	24,660.34
Cemetery	168,939.85	151,533.32	200,060.00	(48,526.68)
Airport	298,313.80	279,536.61	221,000.00	58,536.61
Parks	279,130.86	310,742.50	383,577.00	(72,834.50)
Swimming Pool	4,550.96	147.49	-	147.49
Tree Program	824.95	-	-	-
Auditorium Management Services	34,743.24	22,963.87	38,050.00	(15,086.13)
Economic Development	138,881.15	84,426.20	151,500.00	(67,073.80)
Operating Transfers to:				
Capital Improvement #2 Fund	31,482.00	9,450.00	-	9,450.00
Special Obligation Bond and Interest Fund	-	49,044.78	-	49,044.78
Total Certified Budget			6,609,186.00	(959,282.15)
Adjustments for Qualifying Budget Credits			55,172.62	(55,172.62)
Total Expenditures and Transfers Subject to Budget	<u>5,659,166.02</u>	<u>5,649,903.85</u>	<u>\$ 6,664,358.62</u>	<u>\$ (1,014,454.77)</u>
Receipts Over(Under) Expenditures	24,211.61	(226,476.96)		
Unencumbered Cash, Beginning	<u>410,351.81</u>	<u>434,563.42</u>		
Unencumbered Cash, Ending	<u>\$ 434,563.42</u>	<u>\$ 208,086.46</u>		

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

CITY OF CHANUTE, KANSAS
SPECIAL IMPROVEMENTS FUND

Statement of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Use of Money and Property		
Interest Income	\$ 328.26	\$ -
Total Cash Receipts	328.26	-
Expenditures and Transfers		
Improvements		
Operating Transfers to:		
Capital Improvement #2 Fund	99,623.47	-
Total Expenditures and Transfers	99,623.47	-
Receipts Over (Under) Expenditures	(99,295.21)	-
Unencumbered Cash, Beginning	99,295.21	-
Unencumbered Cash, Ending	\$ -	\$ -

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

**CITY OF CHANUTE, KANSAS
INDUSTRIAL FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Delinquent Tax	\$ 250.03	\$ 175.69	\$ -	\$ 175.69
Use of Money and Property				
Interest Income	6,751.23	6,006.63	-	6,006.63
Revolving Loan Interest Income	2,100.00	4,577.00	-	4,577.00
Total Cash Receipts	9,101.26	10,759.32	\$ -	\$ 10,759.32
Expenditures and Transfers				
Subject to Budget				
General Government				
Contractual Services	14,952.50	16,864.12	\$ 76,000.00	\$ (59,135.88)
Economic Development Loan	180,000.00	-	-	-
Total Expenditures and Transfers	194,952.50	16,864.12	\$ 76,000.00	\$ (59,135.88)
Subject to Budget				
Receipts Over(Under) Expenditures	(185,851.24)	(6,104.80)		
Unencumbered Cash, Beginning	269,567.43	83,716.19		
Unencumbered Cash, Ending	\$ 83,716.19	\$ 77,611.39		

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

CITY OF CHANUTE, KANSAS
LIBRARY FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 240,242.41	\$ 246,691.45	\$ 259,664.00	\$ (12,972.55)
Delinquent Tax	4,838.38	6,983.39	-	6,983.39
Motor Vehicle Tax	35,401.65	40,145.08	39,394.00	751.08
Rental Motor Vehicle Tax	60.67	80.31	-	80.31
Recreational Vehicle Tax	398.92	418.95	468.00	(49.05)
16M-20M Truck Tax	313.54	371.96	173.00	198.96
Payments in Lieu of Taxes	1,504.79	1,238.88	-	1,238.88
Total Cash Receipts	282,760.36	295,930.02	\$ 299,699.00	\$ (3,768.98)
Expenditures and Transfers				
Subject to Budget				
Culture and Recreation				
Library Appropriations	282,500.00	289,400.00	\$ 289,400.00	\$ -
Total Expenditures and Transfers	282,500.00	289,400.00	\$ 289,400.00	\$ -
Subject to Budget				
Receipts Over(Under) Expenditures	260.36	6,530.02		
Unencumbered Cash, Beginning	88.47	348.83		
Unencumbered Cash, Ending	\$ 348.83	\$ 6,878.85		

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

CITY OF CHANUTE, KANSAS
LIBRARY EMPLOYEE BENEFITS FUND

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 32,802.74	\$ 38,050.81	\$ 39,098.00	\$ (1,047.19)
Delinquent Tax	850.42	1,104.12	-	1,104.12
Motor Vehicle Tax	7,192.80	6,051.26	5,378.00	673.26
Rental Motor Vehicle Tax	12.04	13.52	-	13.52
Recreational Vehicle Tax	81.27	62.30	64.00	(1.70)
16M-20M Truck Tax	58.90	76.99	24.00	52.99
Payments in Lieu of Taxes	205.46	186.53	-	186.53
Total Cash Receipts	41,203.63	45,545.53	\$ 44,564.00	\$ 981.53
Expenditures and Transfers				
Subject to Budget				
Culture and Recreation				
Library Appropriations	41,200.00	43,000.00	\$ 43,000.00	\$ -
Total Expenditures and Transfers	41,200.00	43,000.00	\$ 43,000.00	\$ -
Subject to Budget				
Receipts Over(Under) Expenditures	3.63	2,545.53		
Unencumbered Cash, Beginning	1,142.61	1,146.24		
Unencumbered Cash, Ending	\$ 1,146.24	\$ 3,691.77		

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

**CITY OF CHANUTE, KANSAS
CITY EMPLOYEE BENEFITS FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 747,918.49	\$ 754,958.82	\$ 793,084.00	\$ (38,125.18)
Delinquent Tax	12,844.86	19,986.52	-	19,986.52
Motor Vehicle Tax	109,492.92	126,569.74	122,643.00	3,926.74
Rental Motor Vehicle Tax	173.68	257.16	-	257.16
Recreational Vehicle Tax	1,244.69	1,318.55	1,456.00	(137.45)
16M-20M Truck Tax	744.53	1,133.59	540.00	593.59
Payments on Lieu of Taxes	4,684.67	3,783.77	-	3,783.77
Use of Money and Property				
Interest Income	10,359.33	15,256.55	-	15,256.55
Other Revenues				
Reimbursed Expense	47,942.68	103,553.78	-	103,553.78
Total Cash Receipts	935,405.85	1,026,818.48	\$ 917,723.00	\$ 109,095.48
Expenditures and Transfers				
Subject to Budget				
General Government				
Employee Benefits	639,349.64	830,953.08	\$ 886,000.00	\$ (55,046.92)
Total Certified Budget			\$ 886,000.00	(55,046.92)
Adjustments for Qualifying Budget Credits			103,553.78	(103,553.78)
Total Expenditures and Transfers	639,349.64	830,953.08	\$ 989,553.78	\$ (158,600.70)
Receipts Over(Under) Expenditures	296,056.21	195,865.40		
Unencumbered Cash, Beginning	98,266.90	394,323.11		
Unencumbered Cash, Ending	\$ 394,323.11	\$ 590,188.51		

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

CITY OF CHANUTE, KANSAS
SPECIAL LIABILITY EXPENSE FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 9,574.20	\$ 0.01	\$ -	\$ 0.01
Delinquent Tax	513.87	560.36	-	560.36
Motor Vehicle Tax	2,353.18	1,602.53	1,571.00	31.53
Rental Motor Vehicle Tax	5.66	3.24	-	3.24
Recreational Vehicle Tax	25.24	16.78	19.00	(2.22)
16M-20M Truck Tax	46.59	14.38	7.00	7.38
Payments on Lieu of Taxes	59.96	-	-	-
Use of Money and Property				
Interest Income	22,746.31	18,868.17	-	18,868.17
Other Revenues				
Reimbursed Expense	4,654.51	53,384.13	-	53,384.13
Total Cash Receipts	39,979.52	74,449.60	\$ 1,597.00	\$ 72,852.60
Expenditures and Transfers				
Subject to Budget				
General Government				
Contractual Services	16,131.99	72,665.52	\$ 500,000.00	\$ (427,334.48)
Total Certified Budget			500,000.00	(427,334.48)
Adjustments for Qualifying				
Budget Credits			53,384.13	(53,384.13)
Total Expenditures and Transfers	16,131.99	72,665.52	\$ 553,384.13	\$ (480,718.61)
Receipts Over(Under) Expenditures	23,847.53	1,784.08		
Unencumbered Cash, Beginning	<u>529,457.77</u>	<u>553,305.30</u>		
Unencumbered Cash, Ending	<u>\$ 553,305.30</u>	<u>\$ 555,089.38</u>		

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

CITY OF CHANUTE, KANSAS
SPECIAL PARKS AND RECREATION FUND

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Local Alcoholic Liquor Tax	\$ 24,682.23	\$ 24,926.68	\$ 21,000.00	\$ 3,926.68
Intergovernmental				
Federal Grants	-	15,741.22	-	15,741.22
State Grants	1,815.00	2,044.32	-	2,044.32
Use of Money and Property				
Interest Income	856.68	1,745.88	-	1,745.88
Other Revenues				
Donations	1,031.95	3,918.15	-	3,918.15
Total Cash Receipts	28,385.86	48,376.25	\$ 21,000.00	\$ 27,376.25
Expenditures and Transfers				
Subject to Budget				
Culture and Recreation				
Capital Outlay	5,150.94	33,691.81	\$ 59,400.00	\$ (25,708.19)
Total Expenditures and Transfers				
Subject to Budget	5,150.94	33,691.81	\$ 59,400.00	\$ (25,708.19)
Receipts Over(Under) Expenditures	23,234.92	14,684.44		
Unencumbered Cash, Beginning	67,976.97	91,211.89		
Unencumbered Cash, Ending	\$ 91,211.89	\$ 105,896.33		

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

**CITY OF CHANUTE, KANSAS
SPECIAL ALCOHOL PROGRAMS FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Local Alcoholic Liquor Tax	\$ 24,682.24	\$ 24,926.68	\$ 20,000.00	\$ 4,926.68
Use of Money and Property				
Interest Income	856.68	1,365.49	-	1,365.49
Total Cash Receipts	<u>25,538.92</u>	<u>26,292.17</u>	<u>\$ 20,000.00</u>	<u>\$ 6,292.17</u>
Expenditures and Transfers				
Subject to Budget				
Culture and Recreation				
Alcohol Programs	18,158.35	8,203.14	\$ 83,000.00	\$ (74,796.86)
Total Expenditures and Transfers	<u>18,158.35</u>	<u>8,203.14</u>	<u>\$ 83,000.00</u>	<u>\$ (74,796.86)</u>
Subject to Budget				
Receipts Over(Under) Expenditures	7,380.57	18,089.03		
Unencumbered Cash, Beginning	<u>63,287.37</u>	<u>70,667.94</u>		
Unencumbered Cash, Ending	<u>\$ 70,667.94</u>	<u>\$ 88,756.97</u>		

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

CITY OF CHANUTE, KANSAS
TOURISM AND CONVENTION FUND

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2008

(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Transient Guest Tax	\$ 96,045.06	\$ 102,910.17	\$ 58,000.00	\$ 44,910.17
Charges for Services				
Ticket Sales	-	1,200.00	-	1,200.00
Use of Money and Property				
Interest Income	1,332.97	1,907.02	-	1,907.02
Total Cash Receipts	<u>97,378.03</u>	<u>106,017.19</u>	<u>\$ 58,000.00</u>	<u>\$ 48,017.19</u>
Expenditures and Transfers				
Subject to Budget				
General Government				
Personal Services	2,300.00	-	\$ 30,500.00	\$ (30,500.00)
Contractual Services	61,017.83	67,840.84	57,500.00	10,340.84
Commodities	127.20	-	-	-
Total Expenditures and Transfers	<u>63,445.03</u>	<u>67,840.84</u>	<u>\$ 88,000.00</u>	<u>\$ (20,159.16)</u>
Receipts Over(Under) Expenditures	33,933.00	38,176.35		
Unencumbered Cash, Beginning	<u>37,767.55</u>	<u>71,700.55</u>		
Unencumbered Cash, Ending	<u>\$ 71,700.55</u>	<u>\$ 109,876.90</u>		

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

CITY OF CHANUTE, KANSAS
EMERGENCY TELEPHONE FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Emergency Telephone Tax	\$ 37,918.45	\$ 36,623.00	\$ 20,000.00	\$ 16,623.00
Use of Money and Property				
Interest Income	954.57	1,557.22	-	1,557.22
Total Cash Receipts	38,873.02	38,180.22	\$ 20,000.00	\$ 18,180.22
Expenditures and Transfers				
Subject to Budget				
General Government				
Contractual Services	13,780.61	14,097.98	\$ 25,000.00	\$ (10,902.02)
Total Expenditures and Transfers	13,780.61	14,097.98	\$ 25,000.00	\$ (10,902.02)
Subject to Budget				
Receipts Over(Under) Expenditures	25,092.41	24,082.24		
Unencumbered Cash, Beginning	5,256.62	30,349.03		
Unencumbered Cash, Ending	\$ 30,349.03	\$ 54,431.27		

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

**CITY OF CHANUTE, KANSAS
SPECIAL HIGHWAY IMPROVEMENT FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Motor Fuel Tax	\$ 263,132.90	\$ 255,133.96	\$ 266,000.00	\$ (10,866.04)
Use of Money and Property				
Interest Income	235,418.58	218,972.04	-	218,972.04
Other Revenues				
Reimbursed Expense	13,099.22	31,921.04	-	31,921.04
Operating Transfers from:				
General Obligation Bond and Interest Fund	3,611,335.00	-	-	-
Total Cash Receipts	4,122,985.70	506,027.04	\$ 266,000.00	\$ 240,027.04
 Expenditures and Transfers				
Subject to Budget				
General Government				
Contractual Services	685,988.11	2,397,504.99	\$ 3,611,335.00	\$ (1,213,830.01)
Capital Outlay	128,249.18	298,505.83	3,164,000.00	(2,865,494.17)
Operating Transfer to:				
Capital Improvement #1 Fund	-	35,988.40	-	35,988.40
Total Certified Budget			6,775,335.00	(4,043,335.78)
Adjustments for Qualifying Budget Credits			31,921.04	(31,921.04)
Total Expenditures and Transfers Subject to Budget	814,237.29	2,731,999.22	\$ 6,807,256.04	\$ (4,075,256.82)
 Receipts Over(Under) Expenditures				
	3,308,748.41	(2,225,972.18)		
Unencumbered Cash, Beginning	<u>3,903,538.14</u>	<u>7,212,286.55</u>		
Unencumbered Cash, Ending	<u>\$ 7,212,286.55</u>	<u>\$ 4,986,314.37</u>		

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

CITY OF CHANUTE, KANSAS
CAPITAL IMPROVEMENT #1 FUND

Statement of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Taxes and Shared Revenue		
Federal Grants - FEMA	\$ 35,333.05	\$ -
Use of Money and Property		
Interest Income	307,735.78	267,894.25
Other Revenues		
Reimbursed Expense	602.21	59,937.55
Operating Transfers from:		
Special Highway Fund	-	35,988.40
General Obligation		
Bond and Interest Fund	1,343,000.00	-
Electric, Water, and Gas		
Bond and Interest Fund	1,418,405.00	-
Electric Utility Fund	1,883,500.00	1,000,000.00
Gas Utility Fund	43,700.00	-
Sewer Utility Fund	245,000.00	-
Electric, Water, and Gas		
Replacement Reserve Fund	-	300,000.00
Total Cash Receipts	<u>5,277,276.04</u>	<u>1,663,820.20</u>
Expenditures and Transfers		
Capital Projects		
Capital Outlay	<u>5,851,773.78</u>	<u>3,880,727.02</u>
Total Expenditures and Transfers	<u>5,851,773.78</u>	<u>3,880,727.02</u>
Receipts Over(Under) Expenditures	(574,497.74)	(2,216,906.82)
Unencumbered Cash, Beginning	<u>6,691,862.71</u>	<u>6,117,364.97</u>
Unencumbered Cash, Ending	<u>\$ 6,117,364.97</u>	<u>\$ 3,900,458.15</u>

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

CITY OF CHANUTE, KANSAS
CAPITAL IMPROVEMENT #2 FUND

Statement of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Taxes and Shared Revenue		
Federal Grants - FEMA	\$ 6,561.93	\$ -
Federal Grants - FAA	49,535.00	-
Federal Grants - HOME	-	105,000.00
Federal Grants - USDA	-	18,350.00
State Grants - FEMA	1,640.48	-
State Grants - KDOT - FAA	36,685.54	-
Use of Money and Property		
Interest Income	324,954.00	113,422.03
Sale of Property and Materials	3,066.23	4,942.11
Operating Transfers from:		
General Fund	<u>31,482.00</u>	<u>9,450.00</u>
 Total Cash Receipts	 <u>453,925.18</u>	 <u>251,164.14</u>
 Expenditures and Transfers		
Capital Projects		
Capital Outlay	<u>143,595.38</u>	<u>294,904.68</u>
 Total Expenditures and Transfers	 <u>143,595.38</u>	 <u>294,904.68</u>
 Receipts Over(Under) Expenditures		
	310,329.80	(43,740.54)
 Unencumbered Cash, Beginning	 <u>162,064.08</u>	 <u>472,393.88</u>
 Unencumbered Cash, Ending	 <u>\$ 472,393.88</u>	 <u>\$ 428,653.34</u>

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

CITY OF CHANUTE, KANSAS
EQUIPMENT RESERVE FUND

Statement of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Taxes and Shared Revenue		
Federal Grants - FEMA	\$ 44,401.03	\$ 82,640.00
Federal Grants - SHSP	42,076.05	61,886.56
Federal Grants - Law Enforcement	-	6,730.00
State Grants - FEMA	13,188.13	-
Use of Money and Property		
Interest Income	46,001.06	41,671.44
Golf Course Loan Repayment	18,500.00	-
Sale of Property and Materials	1,325.00	-
Other Revenues		
Donations	3,753.72	-
Operating Transfers from:		
Electric Utility Fund	126,000.00	-
Gas Utility Fund	82,000.00	-
Refuse Utility Fund	40,400.00	-
Sewer Utility Fund	293,700.00	-
Utility Services Fund	50,000.00	-
 Total Cash Receipts	 761,344.99	 192,928.00
 Expenditures and Transfers		
Equipment and Machinery		
Capital Outlay	217,865.14	958,559.50
Debt Service		
Capital Lease Payments	11,059.87	11,059.87
 Total Expenditures and Transfers	 228,925.01	 969,619.37
 Receipts Over(Under) Expenditures	 532,419.98	 (776,691.37)
 Unencumbered Cash, Beginning	 727,760.31	 1,260,180.29
 Unencumbered Cash, Ending	 \$ 1,260,180.29	 \$ 483,488.92

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

CITY OF CHANUTE, KANSAS
GENERAL OBLIGATION BOND AND INTEREST FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 81,481.66	\$ 215,364.71	\$ 226,594.00	\$ (11,229.29)
Delinquent Tax	1,352.49	1,898.87	-	1,898.87
Motor Vehicle Tax	10,403.83	13,980.31	13,363.00	617.31
Rental Motor Vehicle Tax	12.04	81.31	-	81.31
Recreational Vehicle Tax	121.75	92.91	159.00	(66.09)
16M-20M Truck Tax	-	142.60	59.00	83.60
Payments in Lieu of Taxes	510.36	1,081.14	-	1,081.14
Special Assessments	22,031.80	243,402.72	-	243,402.72
Use of Money and Property				
Bond Proceeds	5,145,000.00	-	-	-
Interest Income	17,001.72	4,564.06	-	4,564.06
Operating Transfers from:				
Electric Utility Fund	1,846,693.25	1,091,760.00	1,128,386.00	(36,626.00)
Refuse Utility Fund	181,003.17	213,528.00	184,263.00	29,265.00
Total Cash Receipts	7,305,612.07	1,785,896.63	\$ 1,552,824.00	\$ 233,072.63
Expenditures and Transfers				
Subject to Budget				
Debt Service				
Bond Principal	1,555,000.00	955,000.00	\$ 955,000.00	\$ -
Bond Interest	752,619.83	917,465.00	917,465.00	-
Commissions and Postage	5.00	-	-	-
Bond Issuance Cost	23,534.83	-	-	-
Operating Transfers to:				
Capital Improvement #1 Fund	1,343,000.00	-	-	-
Special Highway Improvement Fund	3,611,335.00	-	-	-
Total Expenditures and Transfers				
Subject to Budget	7,285,494.66	1,872,465.00	\$ 1,872,465.00	\$ -
Receipts Over(Under) Expenditures	20,117.41	(86,568.37)		
Unencumbered Cash, Beginning	175,225.71	195,343.12		
Unencumbered Cash, Ending	\$ 195,343.12	\$ 108,774.75		

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

CITY OF CHANUTE, KANSAS
SPECIAL OBLIGATION BOND AND INTEREST FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Taxes and Shared Revenue				
Sales Tax	\$ -	\$ 13,000.00	\$ -	\$ 13,000.00
Use of Money and Property				
Interest Income	863.56	61.27	-	61.27
Operating Transfers from:				
General Fund	-	49,044.78	45,016.00	4,028.78
Total Cash Receipts	863.56	62,106.05	<u>\$ 45,016.00</u>	<u>\$ 17,090.05</u>
Expenditures and Transfers				
Subject to Budget				
Debt Service				
Bond Principal	-	13,000.00	\$ 13,000.00	\$ -
Bond Interest	31,306.93	33,744.00	33,744.00	-
Bond Issuance Cost	1,045.00	1,695.00	-	1,695.00
Total Expenditures and Transfers	32,351.93	48,439.00	<u>\$ 46,744.00</u>	<u>\$ 1,695.00</u>
Subject to Budget				
Receipts Over(Under) Expenditures	(31,488.37)	13,667.05		
Unencumbered Cash, Beginning	<u>33,034.56</u>	<u>1,546.19</u>		
Unencumbered Cash, Ending	<u>\$ 1,546.19</u>	<u>\$ 15,213.24</u>		

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

**CITY OF CHANUTE, KANSAS
ELECTRIC UTILITY FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Revenue	\$ 22,696,715.23	\$ 26,520,816.35	\$ 26,939,756.00	\$ (418,939.65)
Service Revenue	477,705.68	470,897.52	-	470,897.52
Intergovernmental				
Federal Grants - FEMA	29,716.14	-	-	-
Use of Money and Property				
Interest Income	36,711.22	23,723.12	-	23,723.12
Sale of Property and Materials	24,015.35	6,145.93	-	6,145.93
Other Revenues				
Claims	4,030.95	-	-	-
Recovery of Bad Debts	12,644.27	15,563.83	-	15,563.83
Miscellaneous Income	19,734.63	25,285.00	-	25,285.00
Refunds & Reimbursements	761,129.39	2,863.99	-	2,863.99
Operating Transfer from:				
Gas Utility Fund	-	184,940.36	-	184,940.36
Sewer Utility Fund	-	198,027.43	-	198,027.43
Total Cash Receipts	24,062,402.86	27,448,263.53	\$ 26,939,756.00	\$ 508,507.53
Expenditures and Transfers				
Subject to Budget				
Production	16,081,205.76	20,638,495.56	\$ 21,128,710.00	\$ (490,214.44)
Distribution	1,375,573.43	1,532,854.75	1,648,714.00	(115,859.25)
Electric Customers Accounts	354,094.00	394,020.00	407,001.00	(12,981.00)
Fiber Communications	407,136.82	465,521.89	472,822.00	(7,300.11)
Administration and General	3,581.37	55,271.22	5,975,221.00	(5,919,949.78)
Operating Transfers to:				
General Fund	957,397.00	586,496.55	-	586,496.55
Capital Improvement #1 Fund	1,883,500.00	1,000,000.00	-	1,000,000.00
General Obligation Bond and Interest Fund	1,846,693.25	1,091,760.00	-	1,091,760.00
Electric, Water and Gas Bond and Interest Fund	1,710,508.14	2,016,802.29	-	2,016,802.29
Equipment Reserve Fund	126,000.00	-	-	-
Total Certified Budget			29,632,468.00	(1,851,245.74)
Adjustments for Qualifying Budget Credits			198,027.43	(198,027.43)
Total Expenditures and Transfers Subject to Budget	24,745,689.77	27,781,222.26	\$ 29,830,495.43	\$ (2,049,273.17)
Receipts Over(Under) Expenditures	(683,286.91)	(332,958.73)		
Unencumbered Cash, Beginning	2,950,360.51	2,267,073.60		
Unencumbered Cash, Ending	\$ 2,267,073.60	\$ 1,934,114.87		

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

**CITY OF CHANUTE, KANSAS
WATER UTILITY FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Revenues	\$ 1,318,160.71	\$ 1,307,740.23	\$ 1,927,379.00	\$ (619,638.77)
Service Revenues	-	895.00	-	895.00
Use of Money and Property				
Interest Income	-	948.35	-	948.35
Sale of Property and Materials	4,829.09	3,099.57	-	3,099.57
Other Revenues				
Recovery of Bad Debts	2,476.53	3,020.24	-	3,020.24
Refunds & Reimbursements	-	2,278.90	-	2,278.90
Miscellaneous	310.00	-	-	-
Operating Transfer from:				
Gas Utility Fund	-	44,871.80	-	44,871.80
Total Cash Receipts	1,325,776.33	1,362,854.09	\$ 1,927,379.00	\$ (564,524.91)
Expenditures and Transfers				
Subject to Budget				
Source of Supply	18,703.97	18,877.60	\$ 29,350.00	\$ (10,472.40)
Treatment Plant	659,503.91	663,919.19	879,103.00	(215,183.81)
Transmission and Distribution	455,902.04	452,501.05	595,364.00	(142,862.95)
Administration and General	14,732.53	25,628.70	214,788.00	(189,159.30)
Debt Service - Revolving Loan	172,972.32	172,972.32	159,894.00	13,078.32
Total Expenditures and Transfers	1,321,814.77	1,333,898.86	\$ 1,878,499.00	\$ (544,600.14)
Receipts Over(Under) Expenditures	3,961.56	28,955.23		
Unencumbered Cash, Beginning	175,780.32	179,741.88		
Unencumbered Cash, Ending	\$ 179,741.88	\$ 208,697.11		

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

**CITY OF CHANUTE, KANSAS
GAS UTILITY FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Revenues	\$ 5,105,196.21	\$ 5,820,186.64	\$ 6,548,200.00	\$ (728,013.36)
Service Revenues	6,647.07	3,405.00	-	3,405.00
Use of Money and Property				
Interest Income	-	16,307.71	-	16,307.71
Sale of Property and Materials	8,845.86	4,779.08	-	4,779.08
Other Revenues				
Claims	-	1,182.36	-	1,182.36
Recovery of Bad Debts	11,875.88	14,410.18	-	14,410.18
Miscellaneous	1,635.01	3,407.97	-	3,407.97
Reimbursed Expense	3,562.08	100.00	-	100.00
Total Cash Receipts	5,137,762.11	5,863,778.94	\$ 6,548,200.00	\$ (684,421.06)
Expenditures and Transfers				
Subject to Budget				
Gas Supply	3,163,167.88	3,879,280.48	\$ 3,110,000.00	\$ 769,280.48
Gas Storage	523,496.31	519,736.39	1,666,257.00	(1,146,520.61)
Distribution	919,717.72	395,300.60	819,878.00	(424,577.40)
Administration and General	386,437.68	309,455.68	271,674.00	37,781.68
Operating Transfers to:				
General Fund	49,544.00	226,343.72	411,222.00	(184,878.28)
Equipment Reserve Fund	82,000.00	-	59,000.00	(59,000.00)
Capital Improvement #1 Fund	43,700.00	-	87,400.00	(87,400.00)
Electric Utility Fund	-	184,940.36	-	184,940.36
Water Utility Fund	-	44,871.80	-	44,871.80
Refuse Utility Fund	-	29,895.39	-	29,895.39
Sewer Utility Fund	-	14,727.75	-	14,727.75
Vehicle Services Fund	-	32,949.69	-	32,949.69
Utility Services Fund	-	4,585.69	-	4,585.69
Public Works and Utility Complex Fund	-	3,767.60	-	3,767.60
Total Certified Budget			\$ 6,425,431.00	\$ (779,575.85)
Adjustments for Qualifying Budget Credits			100.00	(100.00)
Total Expenditures and Transfers Subject to Budget	5,168,063.59	5,645,855.15	\$ 6,425,531.00	\$ (779,675.85)
Receipts Over(Under) Expenditures	(30,301.48)	217,923.79		
Unencumbered Cash, Beginning	468,364.23	438,062.75		
Unencumbered Cash, Ending	\$ 438,062.75	\$ 655,986.54		

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

**CITY OF CHANUTE, KANSAS
REFUSE UTILITY FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Revenues	\$ 791,861.21	\$ 787,274.40	\$ 1,231,265.00	\$ (443,990.60)
Landfill Revenues	173,276.00	222,703.85	-	222,703.85
Use of Money and Property				
Interest Income	-	948.35	-	948.35
Other Revenues				
Sale of Property or Materials	22.95	-	-	-
Recovery of Bad Debts	1,450.26	2,010.87	-	2,010.87
Refuse Licenses & Permits	575.00	550.00	-	550.00
Operating Transfer from:				
Gas Utility Fund	-	29,895.39	-	29,895.39
Total Cash Receipts	967,185.42	1,043,382.86	\$ 1,231,265.00	\$ (187,882.14)
Expenditures and Transfers				
Subject to Budget				
Collections	332,628.50	297,637.78	\$ 355,548.00	\$ (57,910.22)
Refuse Landfill	380,962.78	375,298.62	490,950.00	(115,651.38)
Customers Accounts	71,126.00	38,687.39	279,763.00	(241,075.61)
Operating Transfers to:				
Equipment Reserve Fund	40,400.00	-	105,000.00	(105,000.00)
Capital Improvement	-	-	50,000.00	(50,000.00)
General Obligation Bond and Interest Fund	181,003.17	213,528.00	-	213,528.00
Total Expenditures and Transfers Subject to Budget	1,006,120.45	925,151.79	\$ 1,281,261.00	\$ (356,109.21)
Receipts Over(Under) Expenditures	(38,935.03)	118,231.07		
Unencumbered Cash, Beginning	141,663.59	102,728.56		
Unencumbered Cash, Ending	\$ 102,728.56	\$ 220,959.63		

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

**CITY OF CHANUTE, KANSAS
SEWER UTILITY FUND**

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Revenues	\$ 1,246,110.92	\$ 1,202,695.51	\$ 1,361,684.00	\$ (158,988.49)
Service Revenues	100.00	250.00	-	250.00
Use of Money and Property				
Interest Income	-	2,654.41	-	2,654.41
Sale of Property and Materials	48.00	24.90	-	24.90
Other Revenues				
Reimbursed Expense	-	10,285.00	192,780.00	(182,495.00)
Recovery of Bad Debts	2,633.14	3,644.60	-	3,644.60
Miscellaneous	4,497.62	1,819.65	-	1,819.65
Operating Transfer from:				
Gas Utility Fund	-	12,755.18	-	12,755.18
Total Cash Receipts	1,253,389.68	1,234,129.25	\$ 1,554,464.00	\$ (320,334.75)
Expenditures and Transfers				
Subject to Budget				
Collections	149,217.09	139,135.43	\$ 261,069.00	\$ (121,933.57)
Pumping	8,409.23	10,244.08	2,500.00	7,744.08
Treatment and Disposal	495,193.47	491,526.01	560,155.00	(68,628.99)
Sewer Customers Accounts	14,000.00	34,106.75	420,972.00	(386,865.25)
Storm Drainage Maintenance	121,169.64	207,688.31	129,843.00	77,845.31
Debt Service - Revolving Loan	103,420.36	103,420.36	122,298.00	(18,877.64)
Operating Transfers to:				
General Fund	40,000.00	-	-	-
Electric Utility Fund	-	198,027.43	-	198,027.43
Equipment Reserve Fund	293,700.00	-	3,500.00	(3,500.00)
Capital Improvement #1 Fund	245,000.00	-	-	-
Total Expenditures and Transfers	1,470,109.79	1,184,148.37	\$ 1,500,337.00	\$ (316,188.63)
Receipts Over(Under) Expenditures	(216,720.11)	49,980.88		
Unencumbered Cash, Beginning	443,154.40	226,434.29		
Unencumbered Cash, Ending	\$ 226,434.29	\$ 276,415.17		

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

CITY OF CHANUTE, KANSAS
ELECTRIC, WATER, AND GAS BOND AND INTEREST FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Current Year			Variance - Over (Under)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Use of Money and Property				
Interest Income	\$ 148,813.88	\$ 157,061.99	\$ -	\$ 157,061.99
Revenue Bond Proceeds	1,620,000.00	-	-	-
Operating Transfers from:				
Electric Utility Fund	1,710,508.14	2,016,802.29	2,239,570.00	(222,767.71)
Total Cash Receipts	3,479,322.02	2,173,864.28	\$ 2,239,570.00	\$ (65,705.72)
 Expenditures and Transfers				
Subject to Budget				
Debt Service				
Bond Principal	635,000.00	755,000.00	\$ 755,000.00	\$ -
Bond Interest	1,526,305.92	1,484,570.00	1,484,570.00	-
Bond Issuance Costs	31,592.60	4,050.00	4,050.00	-
Operating Transfers to:				
Electric, Water, and Gas				
Bond Reserve Fund	162,000.00	-	-	-
Capital Improvement #1 Fund	1,418,405.00	-	-	-
Total Expenditures and Transfers	3,773,303.52	2,243,620.00	\$ 2,243,620.00	\$ -
 Subject to Budget				
Receipts Over(Under) Expenditures	(293,981.50)	(69,755.72)		
 Unencumbered Cash, Beginning	1,352,994.82	1,059,013.32		
 Unencumbered Cash, Ending	\$ 1,059,013.32	\$ 989,257.60		

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

CITY OF CHANUTE, KANSAS
ELECTRIC, WATER, AND GAS BOND RESERVE FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Use of Money and Property		
Interest Income	\$ -	\$ 5,616.88
Operating Transfers from:		
Electric, Water, and Gas		
Bond and Interest Fund	162,000.00	-
Total Cash Receipts	<u>162,000.00</u>	<u>5,616.88</u>
Expenditures and Transfers		
Debt Service		
Bond Principal	-	-
Total Expenditures and Transfers	-	-
Receipts Over(Under) Expenditures	162,000.00	5,616.88
Unencumbered Cash, Beginning	<u>2,764,645.33</u>	<u>2,926,645.33</u>
Unencumbered Cash, Ending	<u>\$ 2,926,645.33</u>	<u>\$ 2,932,262.21</u>

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

CITY OF CHANUTE, KANSAS
ELECTRIC, WATER, AND GAS REPLACEMENT RESERVE FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Use of Money and Property		
Interest Income	\$	\$
Total Cash Receipts	-	-
Expenditures and Transfers		
Operating Transfer to:		
Capital Improvement #1 Fund	-	300,000.00
Total Expenditures and Transfers	-	300,000.00
Receipts Over(Under) Expenditures	-	(300,000.00)
Unencumbered Cash, Beginning	300,000.00	300,000.00
Unencumbered Cash, Ending	<u>\$ 300,000.00</u>	<u>\$ -</u>

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

CITY OF CHANUTE, KANSAS
VEHICLE SERVICES FUND

Statement of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	<u>Prior</u> <u>Year</u> <u>Actual</u>	<u>Current</u> <u>Year</u> <u>Actual</u>
Cash Receipts		
Charges for Services		
Internal Vehicle Service Charges	\$ 445,634.00	\$ 477,692.90
Use of Money and Property		
Interest Income	2,330.28	2,148.48
Sale of Property and Materials	1,949.69	2,649.76
Other Revenues		
Reimbursed Expense	2,784.48	2,870.38
Operating Transfer from:		
Gas Utility Fund	-	32,949.69
 Total Cash Receipts	 452,698.45	 518,311.21
 Expenditures and Transfers		
Vehicle Services Shop	444,986.41	526,005.38
 Total Expenditures and Transfers	 444,986.41	 526,005.38
 Receipts Over(Under) Expenditures	 7,712.04	 (7,694.17)
 Unencumbered Cash, Beginning	 -	 7,712.04
 Unencumbered Cash, Ending	 \$ 7,712.04	 \$ 17.87

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

CITY OF CHANUTE, KANSAS
UTILITY SERVICES FUND

Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2008

(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Charges for Services		
Utility Internal Service Charges	\$ 770,534.00	\$ 743,524.00
Utility Service Initiation Fee	25,235.00	24,780.00
Utility Service Reconnection Fee	6,710.73	5,260.00
Utility Late Payment Fees	70,127.44	77,369.09
Bad Check Charges	2,090.00	1,630.00
Use of Money and Property		
Interest Income	14,372.34	12,058.38
Other Revenues		
Recovery of Bad Debts	2,385.17	4,228.95
Miscellaneous	237.97	980.39
Operating Transfer from:		
Gas Utility Fund	-	4,585.69
Total Cash Receipts	891,692.65	874,416.50
Expenditures and Transfers		
City Clerk's Office	275,635.26	282,766.82
Utility Office	192,933.29	205,020.40
Data Processing	216,876.35	236,083.97
Meter Reading	152,459.67	155,358.19
Operating Transfers to:		
Equipment Reserve Fund	50,000.00	-
Total Expenditures and Transfers	887,904.57	879,229.38
Receipts Over(Under) Expenditures	3,788.08	(4,812.88)
Unencumbered Cash, Beginning	1,028.71	4,816.79
Unencumbered Cash, Ending	\$ 4,816.79	\$ 3.91

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

CITY OF CHANUTE, KANSAS
PUBLIC WORKS AND UTILITY COMPLEX FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2008
(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Prior Year Actual	Actual
Cash Receipts		
Charges for Services		
Public Works Internal Charges	\$ 134,768.00	\$ 150,800.00
Use of Money and Property		
Interest Income	4,129.81	3,690.07
Sale of Property and Materials	228.75	-
Operating Transfer from:		
Gas Utility Fund	-	3,767.60
Total Cash Receipts	<u>139,126.56</u>	<u>158,257.67</u>
Expenditures and Transfers		
Public Works and Utility Complex	<u>144,304.03</u>	<u>158,225.72</u>
Total Expenditures and Transfers	<u>144,304.03</u>	<u>158,225.72</u>
Receipts Over(Under) Expenditures	(5,177.47)	31.95
Unencumbered Cash, Beginning	<u>6,374.54</u>	<u>1,197.07</u>
Unencumbered Cash, Ending	<u>\$ 1,197.07</u>	<u>\$ 1,229.02</u>

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

CITY OF CHANUTE, KANSAS**Agency Funds**

Statement of Cash Receipts and Cash Disbursements
For the Year Ended December 31, 2008

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Payroll Clearing	\$ 129,921.23	\$ 8,896,647.14	\$ 8,997,978.03	\$ 28,590.34
Health Insurance Fund	1,442,179.95	33,470.74	494,110.29	981,540.40
Sales Tax Collections	3,061.03	541,925.59	558,132.98	(13,146.36)
State Water Fees	3,188.90	12,975.74	13,486.01	2,678.63
Kansas Solid Waste Fees	23,386.15	11,104.16	9,101.02	25,389.29
Utility Security Deposit	227,181.18	237,614.99	239,678.31	225,117.86
Utility Security Deposit Interest	71,087.59	6,186.71	4,260.78	73,013.52
Law Enforcement Drug Funds	8,031.11	7,158.21	13,607.64	1,581.68
Alliance of Churches Utility Aid	60.00	732.04	2.00	790.04
City Revolving Loan	293,084.25	666,224.45	754,626.53	204,682.17
Fire Insurance Proceeds	2,388.95	-	-	2,388.95
Veterans Day Parade Account	653.36	-	-	653.36
	\$ 2,204,223.70	\$ 10,414,039.77	\$ 11,084,983.59	\$ 1,533,279.88

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

CITY OF CHANUTE, KANSAS
CHANUTE PUBLIC LIBRARY

Statement of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2008

(With Comparative Actual Totals for the Prior Year Ended December 31, 2007)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Taxes and Shared Revenue		
SEK Library Association	\$ 10,407.00	\$ 11,631.00
City of Chanute	323,700.00	332,400.00
State Aid	6,180.00	6,033.00
Use of Money and Property		
Interest Income	11,600.61	10,970.73
Other Receipts		
Fines and Fees	7,517.90	7,474.48
Grants	6,000.00	12,683.00
Gifts and Donations	1,924.00	3,398.00
Miscellaneous	13,523.98	7,478.52
Total Cash Receipts	380,853.49	392,068.73
Expenditures and Transfers		
Culture and Recreation		
Personal Services	202,997.10	212,623.61
Contractual Services	57,175.18	58,963.11
Commodities	45,886.56	44,192.18
Capital Outlay	155,598.56	48,759.57
Total Expenditures and Transfers	461,657.40	364,538.47
Receipts Over(Under) Expenditures	(80,803.91)	27,530.26
Unencumbered Cash, Beginning	<u>417,716.28</u>	<u>336,912.37</u>
Unencumbered Cash, Ending	\$ 336,912.37	\$ 364,442.63

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

CITY OF CHANUTE, KANSAS

Notes to Financial Statements For the Year Ended December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Chanute, Kansas (the City) is incorporated as a city of the second class under the provisions of the Kansas Constitution, Article 12, Section 5 and K.S.A. 14-101 *et seq.* The City operates under a Commission-City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, water, electric, trash and sewer, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Chanute, Kansas have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principle standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies follow. Note 1 describes how the City's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The City of Chanute is a municipal corporation governed by an elected five-member commission. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Component Units

The component units section of the financial statements includes the financial data of the discretely presented component units. These component units are reported separately to emphasize that they are legally separate from the City. The governing bodies of these component units are appointed by the City.

1. Chanute Public Library – The City of Chanute Library Board operates the City's public library. Acquisition or disposition of real property or bond issuances must be approved by the City. Separate financial statements are internally prepared and are available at the Chanute Public Library.

2. The Housing Authority – The Housing Authority of the City of Chanute, Kansas operates the City's housing projects. The Housing Authority can sue and be sued, and can buy, sell, or lease real property. Bond ordinances must be approved by the City. The Housing Authority's financial statements should be included with the City's financial statements. However, the statements are omitted in an apparent departure from accounting principles generally accepted in the United States of America. Separate audited financial statements are prepared and are available at the Housing Authority of the City of Chanute, Kansas. The Housing Authority is considered a major component unit.

There are no other separate entities related to the City which should be accounted for in the City's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its cash, liabilities, fund equity, revenues and expenditures. The various funds are grouped by type in the financial statements. The types of funds maintained by the City are as follows:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City, other than proprietary fund activities are financed through revenues received by the General Fund.

Special Revenue Funds – These funds are used to account for revenues derived from specific taxes, governmental grants or other revenue sources which are designated to finance particular functions or activities of the City.

Debt Service Fund – The Bond and Interest Fund is used to account for payment of principal and interest on the City's general obligation and special obligation bonds which are recorded in the general long-term debt group of accounts. Revenues for this purpose include ad valorem property taxes, sales taxes, special assessment taxes and investment interest income.

Capital Project Funds – The Capital Project Funds account for capital improvements (except for those financed by proprietary funds) which are financed from the City's general obligation bond issues, special assessments, certain federal grants and other specific receipts.

PROPRIETARY FUNDS

Enterprise Funds – Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City 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. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), federal grants and other City funds.

Internal Service Funds – Internal Service Funds are used to account for the financing of goods and services provided to other departments on a cost reimbursement basis.

FIDUCIARY FUNDS

Expendable Trust Funds – These funds account for funds held in trust for others. The funds are accounted for in essentially the same manner as governmental funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statutory basis of accounting, as used in preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departures 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, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under 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 generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st of each year. 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 taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Assessments

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 paid prior to the issuance of general obligation bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of general obligation bonds are recorded as revenue in the bond and interest fund. Further, state statutes require levying additional general ad valorem property taxes in the City bond and interest fund to finance delinquent special assessments receivable.

Pension Plan

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System or the State of Kansas Police and Fire Retirement System, both of which are multi-employer, state-wide pension plans. The City's policy is to fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State of Kansas.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as revenues. In the financial statements and budget comparisons presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the City Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data in each of the statements have not been presented since their inclusion would make the statements unduly complex and difficult to read.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Revenue Funds (unless specifically exempted by statute), Debt Service Funds, and Enterprise Funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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. During the year ended December 31, 2008, the City amended the General Obligation Bond and Interest Fund, Electric Utility Fund, Capital Projects #2 Fund, and the Electric, Water, and Gas Bond and Interest Fund.

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

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds and fiduciary 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.

Compliance with Bond Ordinances

The City is required, under ordinances on general obligation utility bond issues and on revenue bond issues, to maintain in its Enterprise Funds certain restricted accounts. The ordinances provide that the following reserve accounts be set up in amounts as described below:

Electric, Water, and Gas Bond Reserves

The City has outstanding general obligation utility bonds and revenue bonds segregated and defined as follows:

General Obligation Utility Bonds:

Series 2001 B	Subordinate Lien Bonds
Series 2002 A	Senior Lien Bonds (Parity Bonds)
Series 2004 A	Senior Lien Bonds (Parity Bonds)
Series 2006 A	Senior Lien Bonds (Parity Bonds)

Revenue Bonds:

Series 2001 D	Senior Lien Bonds (Parity Bonds)
Series 2006 B	Senior Lien Bonds (Parity Bonds)
Series 2006 C	Senior Lien Bonds (Parity Bonds)
Series 2007 A	Senior Lien Bonds (Parity Bonds)

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Electric, Water, and Gas Bond Reserves (Continued)

The debt service reserve requirements only apply to Parity Bonds, and must be maintained in an amount equal to the least of the following:

- (a) 10% of the stated principal amount of all Parity Bonds at issued date;
- (b) the Maximum Annual Debt Service Requirements for all Parity Bonds, which is the principal and interest due for the then current year or any future fiscal year;
- (c) 125% of the average annual Debt Service Requirements for all Parity Bonds over the term of the Parity Bonds.

The least of (a), (b), or (c) above is (a), calculated as follows:

Series 2001 D	\$ 20,400,000.00
Series 2006 B	6,195,000.00
Series 2006 C	740,000.00
Series 2007 A	<u>1,620,000.00</u>
 Total Parity Bonds at Issue	 28,955,000.00
 Debt Service Bond Reserves Required	 <u>X</u> <u>10%</u> <u>\$ 2,895,500.00</u>
 Actual Debt Service Bond Reserves	 <u>\$ 2,932,262.21</u>

Electric, Water and Gas Debt Service Reserves

	REQUIRED RESERVES	ACTUAL
Electric Light, Water, and Gas Systems \$4,900,000 general obligation bond issue, Series 2001B, requires transfers monthly of 1/6 of next maturing interest and 1/12 of next maturing principal.	\$ 40,833.33	
Electric Light, Water, and Gas Systems \$4,185,000 general obligation bond issue, Series 2002A, requires transfers monthly of 1/6 of next maturing interest and 1/12 of next maturing principal.	122,365.00	
Electric Light, Water, and Gas Systems \$2,300,000 general obligation bond issue, Series 2006A, requires transfers monthly of 1/6 of next maturing interest and 1/12 of next maturing principal. Total General Obligation Bonds	8,625.00 171,823.33	108,774.75

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

	REQUIRED RESERVES	ACTUAL
Electric Light, Water, and Gas Systems revenue bonds, Series 2001D require transfers monthly of 1/6 of next maturing interest and 1/12 of next maturing principal.	\$ 292,168.75	
Electric Light, Water, and Gas Systems revenue bonds, Series 2006B require transfers monthly of 1/6 of next maturing interest and 1/12 of next maturing principal.	24,216.46	
Electric Light, Water, and Gas Systems revenue bonds, Series 2006C require transfers monthly of 1/6 of next maturing interest and 1/12 of next maturing principal.	33,925.00	
Electric Light, Water, and Gas Systems revenue bonds, Series 2007A require transfers monthly of 1/6 of next maturing interest and 1/12 of next maturing principal.	20,575.42	
Total Revenue Bonds	<u>370,885.63</u>	<u>\$ 989,257.60</u>
Total Electric, Water, and Gas Debt Service Reserves	<u>\$ 522,133.54</u>	<u>\$ 1,098,032.35</u>

The City agrees to fix, establish, maintain and collect such rates, fees or charges for service furnished by or through the Electric System, Gas System, and Water System which will be sufficient to enable the City to produce, in each fiscal year, Net Revenues in an amount that will be not less than 125% of the 2009 Annual Debt Service (as defined in the Indenture) of all electric, gas and water system Senior Lien Bonds (Series 2001d, 2006b, 2006c, and 2007a) of the City at the time outstanding, and 100% of the 2009 Annual Debt Service for all Subordinate Lien Bonds (Series 2006a, 2002a, and 2001b). Net revenues are defined as gross operating revenues of the systems less operation and maintenance expenses, excluding items such as transfers out, capital purchases, principal and interest payments or transfers, and administrative expenses not related to the operation of the system. Compliance is calculated as follows:

	Electric Utility	Water Utility	Gas Utility	Total
Receipts Over (Under) Expenditures	\$ (332,958.73)	\$ 28,955.23	\$ 217,923.79	\$ (86,079.71)
Add:				
Administrative Expenses:				
Utility Customer Accounts	394,020.00	--	--	394,020.00
Administration and General	55,271.22	10,245.70	111,428.25	176,945.17
Debt Service	--	172,972.32	--	172,972.32
Transfers In	(382,967.79)	(44,871.80)	--	(427,839.59)
Transfers Out	4,695,058.84	--	740,109.43	5,435,168.27
Capital Outlays	--	1,173.00	--	1,173.00
Net Revenues as defined in the Indenture	<u>\$ 4,428,423.54</u>	<u>\$ 168,474.45</u>	<u>\$ 1,069,461.47</u>	<u>\$ 5,666,359.46</u>
Required Net Revenue as Defined in the Indenture				<u>\$ 4,045,955.63</u>

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Compliance with Kansas Statutes

Statements 1 and 2 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1 the City was in apparent compliance with Kansas cash basis laws. As shown in Statement 2, the City was in apparent violation of K.S.A. 79-2935, as the City has obligated expenditures in excess budgeted limits in the Special Obligation Bond and Interest Fund.

3. DEPOSITS AND INVESTMENTS

As of year end, the City has the following investments.

Investment Type	Cost	Rating
U.S. Treasury Notes	\$ 3,897,029.63	N/A
U.S. Treasury Bills	5,057,990.81	N/A
Federal Home Loan Banks	1,669,417.10	N/A
Federal Natl. Mortgage Assn.	1,174,530.38	N/A
UMB Trust – Fidelity Treasury	189.41	N/A

These investments are reflected at cost in these statutory basis financial statements of the City of Chanute, Kansas.

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 branch or branch bank in the county in which the City is located and the bank 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 Government 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. All deposits were legally secured at December 31, 2008.

Deposits: At year-end, the City's carrying amount of deposits was \$12,338,311.55 and the bank balance was \$12,707,771.25. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$862,611.11 was covered by FDIC insurance and \$11,845,160.14, was collateralized with pledged securities held by the pledging financial institutions' agents in the City's name.

4. 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	Original Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
Paid by Tax Levies:										
Series 2005-A	3.30-5.00%	November 1, 2005	3,700,000.00	November 1, 2025	\$ 3,420,000.00	\$ -	\$ (135,000.00)	\$ 3,285,000.00	\$ 132,712.50	
Temporary Notes	3.95%	June 15, 2007	5,145,000.00	May 1, 2010	5,145,000.00	-	-	5,145,000.00	203,227.50	
Paid by Utility Revenues:										
Series 2001B	5.00%	October 15, 2001	4,900,000.00	November 1, 2021	4,900,000.00	-	-	4,900,000.00	245,000.00	
Series 2001E	2.20-4.45%	December 15, 2001	1,615,000.00	October 1, 2011	685,000.00	-	(155,000.00)	530,000.00	29,262.50	
Series 2002A	2.10-4.45%	September 15, 2002	5,225,000.00	November 1, 2013	3,645,000.00	-	(615,000.00)	3,030,000.00	128,255.00	
Series 2006A	4.50%	March 28, 2006	2,300,000.00	November 1, 2022	2,300,000.00	-	-	2,300,000.00	103,500.00	
Special Obligation Bonds										
Paid by Tax Levies:										
Tax Incentive Fund Series 2006	4.80%	September 27, 2006	703,000.00	September 1, 2026	703,000.00	-	(13,000.00)	690,000.00	31,280.95	
Revenue Bonds										
Series 2001D	3.35-7.40%	October 15, 2001	20,400,000.00	November 1, 2021	16,145,000.00	-	(590,000.00)	15,555,000.00	1,156,347.50	
Series 2006-B	3.9-5.0%	March 28, 2006	6,195,000.00	November 1, 2022	6,195,000.00	-	-	6,195,000.00	290,597.50	
Series 2006-C	5.4-5.65%	March 28, 2006	740,000.00	November 1, 2011	675,000.00	-	(165,000.00)	510,000.00	37,625.00	
Series 2007A	4.05-5.0%	September 27, 2007	1,620,000.00	November 1, 2027	1,620,000.00	-	(50,000.00)	1,570,000.00	75,177.50	
Revolving Loans										
Kansas Water Pollution Control	3.34%	December 14, 2000	1,500,000.00	March 1, 2022	742,228.40	-	(79,286.49)	662,941.91	24,133.87	
Kansas Public Water Supply 2022	4.11%	April 18, 2001	1,750,000.00	February 1, 2023	1,459,630.57	-	(68,971.88)	1,390,658.69	59,289.34	
Kansas Public Water Supply 2364	3.62%	April 5, 2004	632,556.99	February 1, 2025	599,108.18	-	(23,231.74)	575,876.44	21,479.36	
Fireman's Relief										
Fire Truck	4.00%	May 31, 2007	18,500.00	May 31, 2013	17,120.64	-	(2,842.04)	14,278.60	(656.68)	
Capital Leases										
Therma Camera	3.49%	March 7, 2005	49,950.00	March 7, 2010	30,991.63	-	(9,978.26)	21,013.37	1,081.61	
Total Bonded Indebtedness										
Compensated Absences					48,282,079.42	-	(1,907,310.41)	46,374,769.01	2,538,643.45	
Vacation Benefits	N/A	N/A	N/A	N/A	193,616.93		11,496.00	205,112.93	N/A	
Landfill Closure and Post Closure Care	N/A	N/A	N/A	N/A	809,296.70		18,011.10	827,307.80	N/A	
Total Long-Term Debt					\$ 49,284,993.05	\$ -	\$ (1,907,310.41)	\$ 29,507.10	\$ 47,407,189.74	\$ 2,538,643.45

4. Long-Term Debt (Continued)

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

Issue	2009	2010	2011	2012	2013	2014-2018	2019-2023	2024-2027	Less: Proceeds Not Drawn down	Total
Principal										
General Obligation Bonds										
Paid by Tax Levies:										
Series 2005-A	\$ 140,000.00	\$ 145,000.00	\$ 150,000.00	\$ 155,000.00	\$ 165,000.00	\$ 910,000.00	\$ 1,110,000.00	\$ 510,000.00	\$ -	\$ 3,285,000.00
Temporary Notes	-	5,145,000.00	-	-	-	-	-	-	-	5,145,000.00
Paid by Utility Revenues:										
Series 2001B	-	-	-	-	-	1,780,000.00	3,120,000.00	-	-	4,900,000.00
Series 2001E	170,000.00	175,000.00	185,000.00	-	-	-	-	-	-	530,000.00
Series 2002A	625,000.00	645,000.00	655,000.00	690,000.00	415,000.00	-	-	-	-	3,030,000.00
Series 2006A	-	-	-	-	-	-	2,300,000.00	-	-	2,300,000.00
Special Obligation Bonds										
Paid by Tax Levies:										
Tax Incentive Fund Series 2006	24,000.00	26,000.00	28,000.00	28,000.00	30,000.00	174,000.00	220,000.00	160,000.00	-	690,000.00
Revenue Bonds										
Series 2001D	630,000.00	670,000.00	710,000.00	760,000.00	1,330,000.00	6,655,000.00	4,800,000.00	-	-	15,555,000.00
Series 2006B	-	-	130,000.00	205,000.00	-	2,200,000.00	3,660,000.00	-	-	6,195,000.00
Series 2006C	175,000.00	180,000.00	155,000.00	-	-	-	-	-	-	510,000.00
Series 2007A	50,000.00	50,000.00	50,000.00	55,000.00	55,000.00	330,000.00	410,000.00	570,000.00	-	1,570,000.00
Revolving Loans										
Kansas Water Pollution Control	66,682.39	68,928.18	71,249.60	73,649.21	76,129.64	420,878.82	244,821.16	-	(359,397.09)	662,941.91
Kansas Public Water Supply 2022	72,351.71	75,355.93	78,484.87	81,743.75	85,137.94	481,745.21	515,839.28	-	-	1,390,658.69
Kansas Public Water Supply 2364	24,080.35	24,959.94	25,871.67	26,816.70	27,796.26	154,973.60	185,422.35	105,955.57	-	575,876.44
Fireman's Relief										
Fire Truck	2,956.83	3,076.28	3,200.57	3,329.87	1,715.05	-	-	-	-	14,278.60
Capital Leases										
Therma Camera	10,326.50	10,686.87	-	-	-	-	-	-	-	21,013.37
Total Principal Payments	1,990,397.78	7,219,007.20	2,241,806.71	2,078,539.53	2,185,778.89	13,106,597.63	16,566,082.79	1,345,955.57	(359,397.09)	46,374,769.01
Interest										
General Obligation Bonds										
Paid by Tax Levies:										
Series 2005-A	125,992.50	119,692.50	113,892.50	108,942.50	103,672.50	426,277.50	239,457.50	31,445.00	-	1,269,372.50
Temporary Notes	203,227.50	101,613.75	-	-	-	-	-	-	-	304,841.25
Paid by Utility Revenues:										
Series 2001B	245,000.00	245,000.00	245,000.00	245,000.00	245,000.00	1,181,500.00	322,500.00	-	-	2,729,000.00
Series 2001E	22,985.00	15,845.00	8,232.50	-	-	-	-	-	-	47,062.50
Series 2002A	109,190.00	88,565.00	66,312.50	42,405.00	16,185.00	-	-	-	-	322,657.50
Series 2004A	-	-	-	-	-	-	-	-	-	-
Series 2006A	103,500.00	103,500.00	103,500.00	103,500.00	103,500.00	517,500.00	414,000.00	-	-	1,449,000.00
Special Obligation Bonds										
Paid by Tax Levies:										
Tax Incentive Fund Series 2006	32,832.00	31,680.00	30,384.00	29,040.00	27,696.00	114,960.00	68,418.00	13,632.00	-	348,672.00
Revenue Bonds										
Series 2001D	1,123,012.50	1,086,472.50	1,045,602.50	1,000,517.50	944,467.50	2,513,329.76	554,310.00	-	-	8,267,712.26
Series 2006B	290,597.50	290,597.50	290,597.50	285,527.50	277,327.50	1,254,002.50	516,250.00	-	-	3,204,900.00
Series 2006C	28,550.00	18,837.50	8,757.50	-	-	-	-	-	-	56,145.00
Series 2007A	73,452.50	71,427.50	69,352.50	67,277.50	64,940.00	285,090.00	202,670.00	84,500.00	-	918,710.00
Revolving Loans										
Kansas Water Pollution Control	33,988.13	31,910.44	29,762.77	27,542.77	25,248.01	89,020.69	20,508.43	-	-	257,981.24
Kansas Public Water Supply 2022	51,991.15	49,242.76	46,380.27	43,398.92	40,293.77	150,186.92	50,767.63	-	-	432,261.42
Kansas Public Water Supply 2364	18,636.07	17,841.52	17,017.94	16,164.28	15,279.44	61,951.08	34,446.24	5,259.27	-	186,595.84
Fireman's Relief										
Fire Truck	541.87	422.42	298.13	168.83	34.30	-	-	-	-	1,465.55
Capital Leases										
Therma Camera	733.37	373.00	-	-	-	-	-	-	-	1,106.37
Total Interest Payments	2,464,230.09	2,273,021.39	2,075,090.61	1,969,484.80	1,863,644.02	6,593,818.45	2,423,357.80	134,836.27	-	19,797,483.43
Total Principal and Interest	\$ 4,454,627.87	\$ 9,492,028.59	\$ 4,316,897.32	\$ 4,018,024.33	\$ 4,049,422.91	\$ 19,700,416.08	\$ 18,989,410.59	\$ 1,480,791.84	\$ (359,397.09)	\$ 66,172,252.44

5. INDUSTRIAL REVENUE BONDS

The City has entered into various agreements to induce businesses to locate or expand operations in Chanute, Kansas. In connection therewith, the City has issued industrial revenue bonds (IRB's) which require the businesses to make lease payments to trust accounts sufficient to pay debt service on the IRB's. The City is under no obligation to pay the IRB debt, which is to be paid from the lease payments made by the related businesses. At December 31, 2008, there were ten industrial revenue bond issues with principal balances due totaling \$29,633,264.42.

6. CAPITAL LEASE OBLIGATIONS

The City entered into a capital lease agreement dated March 7, 2005, for the purchase of a Therma Camera. The total cost was \$49,950.00. The lease calls for annual payments of \$11,059.87, including interest at 3.49% per annum, maturing March 7, 2010. Debt requirements are as follows:

2009	\$ 11,059.87
2010	<u>11,059.87</u>
Total Net Minimum Lease Payments	22,119.74
Less: Imputed Interest	<u>(1,106.37)</u>
Net Present Value	21,013.37
Less: Current Maturities	<u>(10,326.50)</u>
Long-Term Capital Lease Obligations	<u>\$ 10,686.87</u>

7. OPERATING LEASES

As of December 31, 2008 the City has entered an operating lease for office equipment. Rent expense for the year ended December 31, 2008, was \$6,799.88. Under the current lease agreements, the future minimum rental payments are as follows:

2009	\$ 3,781.92
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8. REFUNDING BONDS

On March 28, 2006, the City issued General Obligation Electric Light and Gas Utility Systems Revenue Bonds, Series 2006-A, in the amount of \$2,300,000.00 to defease in substance the outstanding Electric Light and Gas Utility System Revenue Bonds, Series 2001-C. The net cash flow difference between the debt service requirements of the old debt compared to the debt service requirements of the new debt was \$287,865.86. The present value of the savings on refunding the bonds was \$83,532.15. The proceeds of the bond issue were irrevocably placed in a trust account and used to purchase United States Government Securities for the purpose of paying the debt requirements of the refunded revenue bonds as they come due. The following schedule lists the refunding revenue bond issues and the principal outstanding of refunded debt as of December 31, 2008.

Electric Light and Gas Utility System Revenue Bonds, Series 2001-C	\$ 2,300,000.00
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9. 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 K.S.A. 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 (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Ave., Suite 100, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 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 2008 was 5.93%. The City's contributions to KPERS for the years ending December 31, 2008, 2007, and 2006, were \$325,554.80, \$295,235.52, and \$200,807.15, 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 14.29%. 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 contributions to KP&F for years ending December 31, 2008, 2007, and 2006, were \$240,948.79, \$230,601.28, and \$201,369.12, respectively, equal to the statutory required contributions for each year.

10. UTILITY ACCOUNTS RECEIVABLE

The City records electric, water, sewer, gas, and trash revenue as the customers are billed each month. The City maintains accounts receivable for each of the utility services. Listed below are amounts of the accounts receivable for the five utilities as of December 31, 2008:

Electric Utility	\$ 242,886.37
Water Utility	59,440.98
Sewer Utility	73,525.38
Gas Utility	459,547.49
Refuse Utility	<u>46,551.51</u>
 TOTAL UTILITY ACCOUNTS RECEIVABLE	 <u>\$ 881,951.73</u>

The City adjusts the utility revenue to the cash basis for presentation in these statutory basis financial statements.

Total utility users as of December 31, 2008, were as follows:

Electric	5,635
Water	4,469
Sewer	4,195
Gas	4,372
Refuse	4,125

11. NOTES RECEIVABLE AND LOANS RECEIVABLE

The City has established an Economic Development Revolving Loan Fund. The Fund is the recipient of money paid back to the City by Chanute industries which received Community Development Block Grants in earlier years. As repayment is made by these industries, the City makes loans to other qualifying industries. The loans due to the City at December 31, 2008, through the Economic Development Revolving Loan Fund are as follows:

Classic Yachts	\$ 1,614.07
Creative Molding	51,112.47
Magna Tech	202,756.40
R.A.W. Sound, Inc.	50,000.00
Tioga Suite	175,256.30
Launching Pad	6,593.28
McKinney Motors	57,059.67
Shape and Bake	100,423.92
Hi-Lo Tables	<u>254,926.48</u>
TOTAL NOTES RECEIVABLE	<u>\$ 899,742.59</u>

The City has made Community Development Loans through the Community Development Fund. The Fund was the recipient of various HUD Grants in earlier years. Loans made with these monies are repaid and the City makes additional development loans from these repayments. The Community Development loans due to the City at December 31, 2008, are as follows:

Automate	\$ 206,493.27
T & R Displays, Inc.	223,840.72
Hi Lo Tables	<u>485,000.00</u>
TOTAL LOANS	<u>\$ 915,333.99</u>

These notes receivable and loans are not reflected in these statutory basis financial statements of the City of Chanute, Kansas.

12. ECONOMIC DEPENDENCY

During 2008, the City collected 51.15% of its electric utility revenues and provided 60.45% of its kilowatt hours produced to Ash Grove Cement Company.

13. 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; employees health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

The City has been unable to obtain workers' compensation insurance at a cost it considers to be economically justifiable. For this reason, the City has joined together with other cities in the State to participate in the Kansas Eastern Region Insurance Trust (KERIT). The City participates in the decision making of KERIT through trustee representation. KERIT files its annual audited financial statements with the Kansas Insurance Commissioner. The City pays annual premium to KERIT for its workers' compensation insurance coverage. The agreement to participate provides that KERIT will be self-sustaining through member premiums and will reinsurance through commercial companies for claims in excess of a stated dollar amount for each insurance event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KERIT management.

13. RISK MANAGEMENT (Continued)

The City has established a Special Liability Fund. The purpose of this fund is to provide the cost for an investigation of, a defense to and the payment of any claim which the City is legally obligated to pay pursuant to the Kansas Tort Claims Act, to the extent that any such claim may be uninsured by the City. The City has dropped its umbrella liability insurance coverage. The Special Liability Fund is funded by charges to other funds.

The City has established a Health Insurance Fund. The purpose of this fund is to provide for an employee welfare benefit plan for health insurance. Contributions from eligible employees and the City are deposited in the name of the plan, subject to withdrawal for purposes of paying approved claims and expenses. The City has contracted with Blue Cross Blue Shield of Kansas to be the claims supervisor. The supervisor reviews all claims for allowability and issues monthly reports to the City. The City has a stop-gap policy which pays any aggregate claims over \$50,000.00.

14. MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE CARE

The City operates a municipal solid waste landfill which is regulated by state and federal agencies, including the State of Kansas Department of Health and Environment and the United States Environmental Protection Agency. The City's permitted landfill area is presently 80 acres with 10 acres currently open. Regulations require the City to properly close each cell upon reaching maximum capacity and to monitor the landfill for 30 years after closure.

The following estimates have been developed by management of the landfill as of May 2007, which is considered to be substantially the same at December 31, 2008:

Total Volume Capacity of Original Site	2,753,000 cu. yds.
Total Remaining Volume Capacity of Site	1,804,656 cu. yds.
Percentage of cell capacity used to date	34.45%
Remaining Life of Landfill	87.3 Years
Estimated costs of closure (\$818,880.00) and post-closure care (\$1,582,594.00)	\$2,401,474.00
Estimated costs of closure and post closure costs at December 31, 2008 (\$2,401,474.00 x 34.45%)	\$827,307.80

The cost of closure and post-closure care will be paid when due from funds accumulated for the purpose in restricted cash accounts, from allocation of ad valorem tax collections, from the proceeds of debt, or a combination of these. The City has accrued a liability for these estimated costs of landfill closure and post-closure in Footnote 4.

15. COMPENSATED ABSENCES

All full-time employees of the City with one year of employment are eligible for vacation benefits in varying annual amounts. Vacation must be used by each anniversary date. In the event of termination, unused accrued vacation time is paid. Accrued vacation pay at December 31, 2008 is \$205,112.93.

15. COMPENSATED ABSENCES (Continued)

Sick leave accrues to all full-time employees at the rate of one day per month and is unlimited. Employees who terminate by other than retirement or death will not be paid for accumulated sick leave. An employee shall be paid for accumulated sick leave up to 120 days upon termination by death or retirement.

The City accrues a liability for compensated absences which meet the following criteria:

- 1) The City's obligation relating to employees' rights to receive compensation for future absences is attributed to employee's services already rendered.
- 2) The obligation relates to rights that vest or accumulate.
- 3) Payment of the compensation is probable.
- 4) The amount can be reasonably estimated.

In accordance with the above criteria, the City has disclosed the liability for vacation benefits in Footnote 4, and not accrued a liability for sick pay which has been earned, but not taken by City employees, inasmuch as the amount cannot be reasonably estimated because the obligation to these rights do not vest.

16. COMMITMENTS AND CONTINGENCIES

The City has entered into multi year agreements with the various unions representing policemen, firemen, and electrical and public works employees, and other utility workers.

17. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Capital Improvement #2	K.S.A. 12-1,118	\$ 9,450.00
General	Special Obligation Bond and Interest Fund	K.S.A. 12-197	49,044.78
Special Highway	Capital Improvement #1	K.S.A. 79-2934	35,988.40
Electric Utility	General Fund	K.S.A. 12-825d	586,496.55
Electric Utility	Capital Improvement #1	K.S.A. 12-1,118	1,000,000.00
Electric Utility	G.O. Bond and Interest	K.S.A. 12-825d	1,091,760.00
Electric Utility	Electric, Water and Gas Bond and Interest	K.S.A. 12-825d	2,016,802.29
Gas Utility	General	K.S.A. 12-825d	226,343.72
Gas Utility	Electric Utility	K.S.A. 12-825d	184,940.36
Gas Utility	Water Utility	K.S.A. 12-825d	44,871.80
Gas Utility	Refuse Utility	K.S.A. 12-825d	29,895.39
Gas Utility	Sewer Utility	K.S.A. 12-825d	14,727.75
Gas Utility	Vehicle Services	K.S.A. 12-825d	32,949.69
Gas Utility	Utility Services	K.S.A. 12-825d	4,585.69
Gas Utility	Public Works and Utility Complex	K.S.A. 12-825d	3,767.60
Sewer Utility	Electric Utility	K.S.A. 12-825d	198,027.43
Refuse Utility	G.O. Bond and Interest	K.S.A. 12-825d	213,528.00
Electric, Water and Gas Replacement Reserve	Capital Improvement #1	K.S.A. 12-1,118	300,000.00

18. DISCLOSURES FOR THE CHANUTE PUBLIC LIBRARY – A COMPONENT UNIT

Deposits and Investments

As of year end, the Library has the following investments.

Investment Type	Cost	Rating
U.S. Treasury Bills	\$ 4,960.54	N/A

These investments are reflected at cost in these statutory basis financial statements of the Chanute Public Library.

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's funds have a main branch or branch bank in the county in which the Library is located and the bank 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 Library has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library'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 Library has no investment policy that would further limit its investment choices.

Concentration of credit risk. State Statutes place no limit on the amount the Government 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 Library's deposits may not be returned to it. State statutes require the Library'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 Library, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2008.

Deposits and Investments

At year-end, the Library's carrying amount of deposits was \$380,523.35 and the bank balance was \$379,618.54. The bank balance was held by five banks resulting in a concentration of credit risk. Of the bank balance, \$379,618.54 was covered by FDIC insurance.

Defined Benefit Pension Plan

The Library participates in the KPERS retirement system as described in Footnote 9. The Library's contributions for the years ended December 31, 2008, 2007, and 2006, were \$8,459.33, \$6,991.79, and \$5,844.69, respectively, equal to the required contributions for each year.

FEDERAL COMPLIANCE SECTION

CITY OF CHANUTE, KANSAS
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2008

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL CFDA NUMBER	CASH RECEIPTS	DISBURSE- MENTS/ EXPENDITURES
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Direct Grant				
Assistance to Firefighters Grant - FY06 Grant - Sprinkler	N/A	97.044	\$ 70,899.00	\$ 70,899.00
Assistance to Firefighters Grant - FY07 Grant - PPE Extractor	N/A	97.044	11,741.00	11,741.00
		Total 97.044	82,640.00	82,640.00
Passed through the Kansas Department of Emergency Management				
Disaster Grants - Public Assistance	FEMA-1711-DR KS	97.036	15,741.22	15,741.22
Passed through the Southeast Kansas Regional Homeland Security Council				
State Homeland Security Program	SE-FY06-07-SHSP	97.073	61,886.56	61,886.56
Total U.S. Department of Homeland Security			160,267.78	160,267.78
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Direct Grant				
Airport Improvement Program	N/A	20.106	-	40,881.00
Pass Through Kansas Department of Transportation				
Impaired Driving Deterrent Program	OP-1273-08	20.205	1,637.48	1,637.48
Impaired Driving Deterrent Program	OP-1273-09	20.205	1,177.96	1,177.96
		Total 20.205	2,815.44	2,815.44
Click Step Special Program	OP-1273-08	20.600	2,117.45	2,117.45
Total U.S. Department of Transportation			4,932.89	45,813.89

CITY OF CHANUTE, KANSAS
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2008

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	PASS-THROUGH IDENTIFYING NUMBER	FEDERAL CFDA NUMBER	CASH RECEIPTS	DISBURSE- MENTS/ EXPENDITURES
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Grant Bulletproof Vest Partnership Program	N/A	16.607	\$ 6,730.00	\$ 6,730.00
Total U.S. Department of Justice			6,730.00	6,730.00
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Passed through the Kansas Department of Commerce: Community Development Block Grant	08-BF-R03	(M) 14.228	498,500.00	498,500.00
Passed through the Kansas Housing Resource Corporation: Home Investment Partnership Program	HR06-0103	14.239	105,000.00	105,000.00
Total U.S. Department of Housing and Urban Development			603,500.00	603,500.00
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant: Housing Preservation Grant	N/A	10.433	18,350.00	44,764.77
Total U.S. Department of Agriculture			18,350.00	44,764.77
TOTAL ALL PROGRAMS			\$ 793,780.67	\$ 861,076.44

Note to the Schedule of Expenditures of Federal Awards:

Federal expenditures are recorded on the accrual basis of accounting, which records expenses when the goods or services are received, and not necessarily when paid.

(M) - Tested as a Major Program

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**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**

Honorable Mayor and City Commissioners
City of Chanute, Kansas

We have audited the financial statements of City of Chanute, Kansas as of and for the year ended December 31, 2008, and have issued our report thereon dated July 8, 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 City of Chanute, Kansas' 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 of Chanute, Kansas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Chanute, Kansas' 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 of Chanute, Kansas' 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 of Chanute, Kansas' financial statements that is more than inconsequential will not be prevented or detected by the City of Chanute, Kansas' 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 of Chanute, Kansas' internal control.

Our consideration of 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Chanute, Kansas' 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*.

We noted certain other matters that we reported to management of the City of Chanute, Kansas in a separate letter dated July 8, 2009.

This report is intended solely for the information and use of management, the City Commission, others within the City, 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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

July 8, 2009
Chanute, Kansas

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Commissioners
City of Chanute, Kansas

Compliance

We have audited the compliance of City of Chanute, Kansas, 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. City of Chanute, Kansas' major federal program is 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 City of Chanute, Kansas' management. Our responsibility is to express an opinion on City of Chanute, Kansas' 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 City of Chanute, Kansas' 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 of City of Chanute, Kansas' compliance with those requirements.

In our opinion, City of Chanute, 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 City of Chanute, 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 City of Chanute, Kansas' internal control over compliance with the 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 City of Chanute, Kansas' internal control over compliance.

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, the City Commission, others within the City, 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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

July 8, 2009
Chanute, Kansas

CITY OF CHANUTE, KANSAS

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2008

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

The auditors' report expresses a qualified opinion on the financial statements of City of Chanute, Kansas.

Internal Control over Financial Reporting:

Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	X	No
Significant deficiencies identified that are not considered to be a material weaknesses?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	X	No
Non compliance or other matters required to be reported under <i>Government Auditing Standards</i>	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	X	No

Federal Awards:

Internal control over major programs:	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	X	No
Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	X	No
Significant deficiencies identified that are not considered to be a material weaknesses?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	X	No

The auditors' report on compliance for the major federal award programs for City of Chanute, Kansas expresses an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	X	No
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Identification of major programs:

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant	CFDA 14.228
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The threshold for distinguishing Types A and B programs was \$300,000.00.

Auditee qualified as a low risk auditee?

<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	X	No
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II. FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

Questioned
Costs

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant – CFDA No. 14.228

None

CITY OF CHANUTE, KANSAS

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2008

December 31, 2007:

No Findings in the Prior Year Audit