

CITY OF HORTON, KANSAS

Financial Statements

For the Year Ended December 31, 2007

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CITY OF HORTON, KANSAS
Financial Statements
For the Year Ended December 31, 2007

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Mayor and City Commission
City of Horton, Kansas

We have audited the accompanying primary government financial statements of the City of Horton, Kansas (the City), as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Horton, Kansas. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2006. In our report dated April 4, 2007, on those financial statements, we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unqualified opinion as to presentation on the Kansas prescribed basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Audit Guide." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The primary government financial statements referred to above do not include the financial data of one of the component units of the City of Horton, Kansas as of December 31, 2007.

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

In our opinion, because of the omission of the financial data of one, but not all, of the component units of the City of Horton, Kansas, and, because of 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Horton, Kansas, as of December 31, 2007, or the respective changes in financial position for the year then ended.

Also, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Horton, Kansas, as of December 31, 2007, and its cash receipts and expenditures by fund, and fund budget to actual comparisons, for the year then ended, taken as a whole, on the prescribed basis of accounting described in Note 1.

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2006, from which such partial information was derived.

Lowenthal, Singleton, Webb & Wilson

Professional Association

October 24, 2008

STATEMENT 1

CITY OF HORTON, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2007

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 42,824	\$ -	\$ 1,386,101	\$ 1,405,933	\$ 22,992	\$ -	\$ 22,992
Special Revenue Funds:							
Industrial Fund	6,038	-	2,698	5,592	3,144	-	3,144
Special Highway Fund	55,214	-	54,120	51,102	58,232	-	58,232
Equipment Reserve Fund	8,475	-	2,000	-	10,475	-	10,475
Public Building Reserve Fund	3,354	-	-	-	3,354	-	3,354
State Grant Fund	-	-	239,434	203,767	35,667	-	35,667
Court Diversion Fund	10,147	-	4,450	3,409	11,188	-	11,188
CDBG Grant Fund	-	-	326,446	525,781	[199,335]	199,335	-
Debt Service Fund:							
Bond and Interest Fund	373	-	26,938	26,343	968	-	968
Enterprise Funds:							
Water Fund	416,041	-	249,368	386,452	278,957	-	278,957
Water Improvement Fund	690	-	-	-	690	-	690
Sewer Fund	51,528	-	188,681	188,214	51,995	-	51,995
Sewer Improvement Fund	135,503	-	-	90,672	44,831	-	44,831
Electric Fund	1,087,159	-	1,580,001	1,643,089	1,024,071	33,488	1,057,559
Electric Project Fund	62,043	-	-	62,043	-	-	-
Solid Waste Fund	12,137	-	87,151	83,097	16,191	-	16,191
Private-Purpose Trust Funds	3,630	-	457	102	3,985	-	3,985
Total Primary Government	1,895,156	-	4,147,845	4,675,596	1,367,405	232,823	1,600,228
Component Units:							
Horton Free Public Library	81,232	-	64,505	59,992	85,745	-	85,745
Total Reporting Entity	\$ 1,976,388	\$ -	\$ 4,212,350	\$ 4,735,588	\$ 1,453,150	\$ 232,823	\$ 1,685,973

COMPOSITION OF CASH:

Horton National Bank:	
Checking	\$ 387,664
Certificates of Deposit	2,428
Union State Bank:	
Certificates of Deposit	100,000
United Bank of Kansas:	
Checking	30,204
Certificates of Deposit	200,000
State of Kansas Municipal Investment Pool	878,030
Horton National Bank:	
Checking	16,829
Savings	33,690
Union State Bank:	
Savings	24,181
United Bank of Kansas:	
Certificates of Deposit	11,045
Total Cash	1,684,071
Less: Agency Funds	1,902
Total (Excluding Agency Funds)	\$ 1,685,973

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

CITY OF HORTON, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2007

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Positive [Negative]</u>
General Fund	\$ 1,408,406	\$ -	\$ 1,408,406	\$ 1,405,933	\$ 2,473
Special Revenue Funds:					
Industrial	10,350	-	10,350	5,592	4,758
Special Highway	100,000	-	100,000	51,102	48,898
Court Diversion	7,000	-	7,000	3,409	3,591
Debt Service Fund:					
Bond and Interest	27,153	-	27,153	26,343	810
Enterprise Funds:					
Water	386,540	-	386,540	386,452	88
Sewer	250,958	-	250,958	188,214	62,744
Electric	1,725,580	-	1,725,580	1,643,089	82,491
Solid Waste	85,000	-	85,000	83,097	1,903

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

CITY OF HORTON, KANSAS
 General Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Actual Amounts For the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Taxes	\$ 594,394	\$ 659,293	\$ 634,420	\$ 24,873
Intergovernmental	19,716	19,716	20,000	[284]
Franchise tax	66,909	64,595	66,000	[1,405]
Licenses	2,728	2,318	1,050	1,268
Fines and fees	67,235	67,511	60,900	6,611
Interest	77,199	71,773	53,000	18,773
Use of property	1,285	880	900	[20]
Charges for services	68,769	63,773	87,024	[23,251]
Grants	3,430	3,430	-	3,430
Transfer in	77,083	390,000	435,000	[45,000]
Reimbursement	37,743	42,812	12,500	30,312
Total Cash Receipts	1,016,491	1,386,101	\$ 1,370,794	\$ 15,307
Expenditures and Transfers Subject to Budget				
General Government				
Personnel	164,548	173,805	\$ 175,400	\$ 1,595
Contractual services	59,549	53,340	55,650	2,310
Commodities	19,154	19,422	19,955	533
Capital outlay	-	262,464	260,000	[2,464]
Miscellaneous	5,571	4,236	-	[4,236]
Law Enforcement				
Personnel	320,929	188,823	187,539	[1,284]
Contractual services	122,793	17,315	16,000	[1,315]
Commodities	58,941	24,001	24,200	199
Capital outlay	10,824	2,360	2,400	40
Parks and Recreation				
Personnel	33,463	15,391	16,350	959
Contractual services	4,599	3,271	4,000	729
Commodities	33,998	24,939	24,500	[439]
Capital outlay	8,638	1,273	5,000	3,727
Streets				
Personnel	88,633	87,233	87,000	[233]
Contractual services	24,026	24,630	25,707	1,077
Commodities	58,897	35,715	38,500	2,785
Capital outlay	13,697	14,981	15,000	19

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

CITY OF HORTON, KANSAS
General Fund (Continued)
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Actual Amounts For the Year Ended December 31, 2006)

	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Library				
Contractual services	\$ -	\$ 38,000	\$ 38,000	\$ -
Capital outlay	-	2,000	2,000	-
Building Demolition	-	6,639	7,000	361
Cemetery	10,164	11,395	13,396	2,001
Airport	2,238	2,429	2,200	[229]
Firing Range				
Contractual services	-	90	500	410
Commodities	-	6,204	1,500	[4,704]
Pool				
Personnel	-	26,489	26,500	11
Contractual services	-	1,478	5,600	4,122
Commodities	-	9,617	16,109	6,492
Capital outlay	-	2,219	2,500	281
Communications				
Personnel	-	115,395	114,400	[995]
Contractual services	-	14,474	11,500	[2,974]
Commodities	-	9,666	11,150	1,484
Capital outlay	-	2,017	500	[1,517]
Court				
Personnel	-	9,372	6,570	[2,802]
Contractual services	-	5,935	5,400	[535]
Commodities	-	11,745	10,550	[1,195]
Capital outlay	-	-	5,300	5,300
Fire Department				
Personnel	-	12,539	13,500	961
Contractual services	-	3,868	4,200	332
Commodities	-	4,732	5,135	403
Capital outlay	-	1,866	-	[1,866]
Fire insurance proceeds	-	11,728	11,728	-
Employee benefits	-	81,037	94,000	12,963
Transfer out	10,000	2,000	-	[2,000]
Debt service	-	59,800	41,967	[17,833]
Total Expenditures and Transfers Subject to Budget	<u>1,050,662</u>	<u>1,405,933</u>	<u>\$ 1,408,406</u>	<u>\$ 2,473</u>
Receipts Over [Under] Expenditures	[34,171]	[19,832]		
Unencumbered Cash, Beginning	<u>76,995</u>	<u>42,824</u>		
Unencumbered Cash, Ending	<u>\$ 42,824</u>	<u>\$ 22,992</u>		

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

CITY OF HORTON, KANSAS
 Industrial Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Actual Amounts For the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Taxes	\$ 7,477	\$ 2,698	\$ 2,220	\$ 478
Total Cash Receipts	<u>7,477</u>	<u>2,698</u>	<u>\$ 2,220</u>	<u>\$ 478</u>
Expenditures and Transfers Subject to Budget				
Contractual	-	-	\$ 9,500	\$ 9,500
Commodities	<u>9,336</u>	<u>5,592</u>	<u>850</u>	<u>[4,742]</u>
Total Expenditures and Transfers Subject to Budget	<u>9,336</u>	<u>5,592</u>	<u>\$ 10,350</u>	<u>\$ 4,758</u>
Receipts Over [Under] Expenditures	[1,859]	[2,894]		
Unencumbered Cash, Beginning	<u>7,897</u>	<u>6,038</u>		
Unencumbered Cash, Ending	<u>\$ 6,038</u>	<u>\$ 3,144</u>		

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

CITY OF HORTON, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Actual Amounts For the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Taxes	\$ 53,605	\$ 54,120	\$ 55,860	\$ [1,740]
Total Cash Receipts	<u>53,605</u>	<u>54,120</u>	<u>\$ 55,860</u>	<u>\$ [1,740]</u>
Expenditures and Transfers Subject to Budget				
Contractual	39,728	-	\$ 30,000	\$ 30,000
Commodities	8,557	27,404	50,000	22,596
Capital outlay	-	-	20,000	20,000
Transfer out	-	23,698	-	[23,698]
Total Expenditures and Transfers Subject to Budget	<u>48,285</u>	<u>51,102</u>	<u>\$ 100,000</u>	<u>\$ 48,898</u>
Receipts Over [Under] Expenditures	5,320	3,018		
Unencumbered Cash, Beginning	<u>49,894</u>	<u>55,214</u>		
Unencumbered Cash, Ending	<u>\$ 55,214</u>	<u>\$ 58,232</u>		

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

CITY OF HORTON, KANSAS
 Equipment Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Actual Amounts For the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Transfer in	\$ 5,000	\$ 2,000	\$ 48,000	\$ [46,000]
Total Cash Receipts	<u>5,000</u>	<u>2,000</u>	<u>\$ 48,000</u>	<u>\$ [46,000]</u>
Expenditures and Transfers Subject to Budget				
Commodities	-	-	\$ -	\$ -
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	5,000	2,000		
Unencumbered Cash, Beginning	<u>3,475</u>	<u>8,475</u>		
Unencumbered Cash, Ending	<u>\$ 8,475</u>	<u>\$ 10,475</u>		

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

CITY OF HORTON, KANSAS
Public Building Reserve Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Actual Amounts For the Year Ended December 31, 2006)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Transfer in	\$ 5,000	\$ -	\$ 65,544	\$ [65,544]
Total Cash Receipts	<u>5,000</u>	<u>-</u>	<u>65,544</u>	<u>[65,544]</u>
Expenditures and Transfers Subject to Budget				
Commodities	3,960	-	\$ -	\$ -
Total Expenditures and Transfers Subject to Budget	<u>3,960</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	1,040	-		
Unencumbered Cash, Beginning	<u>2,314</u>	<u>3,354</u>		
Unencumbered Cash, Ending	<u>\$ 3,354</u>	<u>\$ 3,354</u>		

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

CITY OF HORTON, KANSAS
 State Grant Fund
 Statement of Cash Receipts and Expenditures - Actual*
 For the Year Ended December 31, 2007 and 2006

	Year Ended December 31,	
	<u>2007</u>	<u>2006</u>
Cash Receipts		
Grants	\$ 39,205	\$ 1,500
Interest income	229	-
Bond proceeds	<u>200,000</u>	<u>-</u>
Total Cash Receipts	<u>239,434</u>	<u>1,500</u>
Expenditures and Transfers		
Contractual	199,573	-
Commodities	<u>4,194</u>	<u>1</u>
Total Expenditures and Transfers	<u>203,767</u>	<u>1</u>
Receipts Over [Under] Expenditures	35,667	1,499
Unencumbered Cash, Beginning	<u>-</u>	<u>[1,499]</u>
Unencumbered Cash, Ending	<u>\$ 35,667</u>	<u>\$ -</u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
 Court Diversion Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Actual Amounts For the Year Ended December 31, 2006)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 7,090	\$ 4,450	\$ 3,200	\$ 1,250
Total Cash Receipts	<u>7,090</u>	<u>4,450</u>	<u>\$ 3,200</u>	<u>\$ 1,250</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>1,931</u>	<u>3,409</u>	<u>\$ 7,000</u>	<u>\$ 3,591</u>
Total Expenditures and Transfers Subject to Budget	<u>1,931</u>	<u>3,409</u>	<u>\$ 7,000</u>	<u>\$ 3,591</u>
Receipts Over [Under] Expenditures	5,159	1,041		
Unencumbered Cash, Beginning	<u>4,988</u>	<u>10,147</u>		
Unencumbered Cash, Ending	<u>\$ 10,147</u>	<u>\$ 11,188</u>		

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

STATEMENT 3-8

CITY OF HORTON, KANSAS
 CDBG Grant Fund
 Statement of Cash Receipts and Expenditures - Actual*
 For the Year Ended December 31, 2007

Cash Receipts	
Taxes	\$ 148,052
Transfer in	<u>178,394</u>
Total Cash Receipts	<u>326,446</u>
Expenditures and Transfers Subject to Budget	
Contract services	<u>525,781</u>
Total Expenditures and Transfers Subject to Budget	<u>525,781</u>
Receipts Over [Under] Expenditures	[199,335]
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u>\$ [199,335]</u>

* - This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
 Bond and Interest Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Actual Amounts For the Year Ended December 31, 2006)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 22,921	\$ 26,938	\$ 27,153	\$ [215]
Total Cash Receipts	<u>22,921</u>	<u>26,938</u>	<u>\$ 27,153</u>	<u>\$ [215]</u>
Expenditures and Transfers Subject to Budget				
Principal	22,000	26,000	\$ 26,000	\$ -
Interest	1,886	338	338	-
Fees	<u>5</u>	<u>5</u>	<u>815</u>	<u>810</u>
Total Expenditures and Transfers Subject to Budget	<u>23,891</u>	<u>26,343</u>	<u>\$ 27,153</u>	<u>\$ 810</u>
Receipts Over [Under] Expenditures	[970]	595		
Unencumbered Cash, Beginning	<u>1,343</u>	<u>373</u>		
Unencumbered Cash, Ending	<u>\$ 373</u>	<u>\$ 968</u>		

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

CITY OF HORTON, KANSAS
Water Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Actual Amounts For the Year Ended December 31, 2006)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 260,931	\$ 245,906	\$ 250,000	\$ [4,094]
Miscellaneous	1,020	3,462	-	3,462
Total Cash Receipts	<u>261,951</u>	<u>249,368</u>	<u>\$ 250,000</u>	<u>\$ [632]</u>
Expenditures and Transfers Subject to Budget				
Personnel	92,986	89,758	\$ 91,394	\$ 1,636
Contractual	76,883	47,501	263,910	216,409
Commodities	36,235	57,992	-	[57,992]
Capital outlay	31,615	10,269	-	[10,269]
Debt service	-	31,236	31,236	-
Transfer out	-	149,696	-	[149,696]
Total Expenditures and Transfers Subject to Budget	<u>237,719</u>	<u>386,452</u>	<u>\$ 386,540</u>	<u>\$ 88</u>
Receipts Over [Under] Expenditures	24,232	[137,084]		
Unencumbered Cash, Beginning	<u>391,809</u>	<u>416,041</u>		
Unencumbered Cash, Ending	<u>\$ 416,041</u>	<u>\$ 278,957</u>		

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

CITY OF HORTON, KANSAS
 Water Improvement Fund
 Statement of Cash Receipts and Expenditures - Actual*
 For the Year Ended December 31, 2007 and 2006

	Year Ended December 31,	
	<u>2007</u>	<u>2006</u>
Cash Receipts		
Intergovernmental	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures and Transfers Subject to Budget		
Contractual	-	5,378
Commodities	-	1,473
Capital outlay	-	57,138
Debt service	-	3,000
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>66,989</u>
Receipts Over [Under] Expenditures	-	[66,989]
Unencumbered Cash, Beginning	<u>690</u>	<u>67,679</u>
Unencumbered Cash, Ending	<u>\$ 690</u>	<u>\$ 690</u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
Sewer Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2007
(With Comparative Actual Amounts For the Year Ended December 31, 2006)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 196,778	\$ 184,690	\$ 252,212	\$ [67,522]
Miscellaneous	-	3,991	-	3,991
Total Cash Receipts	<u>196,778</u>	<u>188,681</u>	<u>\$ 252,212</u>	<u>\$ [63,531]</u>
Expenditures and Transfers Subject to Budget				
Personnel	88,871	85,011	\$ 63,650	\$ [21,361]
Contractual	35,467	27,779	65,950	38,171
Commodities	23,474	26,039	-	[26,039]
Capital outlay	10,403	4,544	25,000	20,456
Debt service	40,033	39,841	39,840	[1]
Transfer out	-	5,000	56,518	51,518
Total Expenditures and Transfers Subject to Budget	<u>198,248</u>	<u>188,214</u>	<u>\$ 250,958</u>	<u>\$ 62,744</u>
Receipts Over [Under] Expenditures	[1,470]	467		
Unencumbered Cash, Beginning	<u>52,998</u>	<u>51,528</u>		
Unencumbered Cash, Ending	<u>\$ 51,528</u>	<u>\$ 51,995</u>		

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

CITY OF HORTON, KANSAS
Sewer Improvement Fund
Statement of Cash Receipts and Expenditures - Actual*
For the Year Ended December 31, 2007 and 2006

	Year Ended December 31,	
	<u>2007</u>	<u>2006</u>
Cash Receipts		
Bond proceeds	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures and Transfers Subject to Budget		
Commodities	3,022	2,882
Contractual services	14,100	313
Capital outlay	73,550	67,550
Total Expenditures and Transfers Subject to Budget	<u>90,672</u>	<u>70,745</u>
Receipts Over [Under] Expenditures	[90,672]	[70,745]
Unencumbered Cash, Beginning	<u>135,503</u>	<u>206,248</u>
Unencumbered Cash, Ending	<u>\$ 44,831</u>	<u>\$ 135,503</u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
 Electric Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Actual Amounts For the Year Ended December 31, 2006)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 1,438,391	\$ 1,517,983	\$ 1,500,000	\$ 17,983
Transfer in	-	62,018	62,019	[1]
Total Cash Receipts	<u>1,438,391</u>	<u>1,580,001</u>	<u>\$ 1,562,019</u>	<u>\$ 17,982</u>
Expenditures and Transfers Subject to Budget				
Personnel	188,030	144,900	\$ 146,301	\$ 1,401
Contractual	88,028	52,782	-	[52,782]
Commodities	682,528	855,104	956,400	101,296
Capital outlay	4,647	12,421	-	[12,421]
Transfer out	77,083	390,000	435,000	45,000
Debt service	166,471	187,882	187,879	[3]
Total Expenditures and Transfers Subject to Budget	<u>1,206,787</u>	<u>1,643,089</u>	<u>\$ 1,725,580</u>	<u>\$ 82,491</u>
Receipts Over [Under] Expenditures	231,604	[63,088]		
Unencumbered Cash, Beginning	<u>855,555</u>	<u>1,087,159</u>		
Unencumbered Cash, Ending	<u>\$ 1,087,159</u>	<u>\$ 1,024,071</u>		

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

CITY OF HORTON, KANSAS
 Electric Project Fund
 Statement of Cash Receipts and Expenditures - Actual*
 For the Year Ended December 31, 2007 and 2006

	Year Ended December 31,	
	<u>2007</u>	<u>2006</u>
Cash Receipts		
Intergovernmental	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures and Transfers Subject to Budget		
Contractual	25	29,931
Transfer out	62,018	-
Total Expenditures and Transfers Subject to Budget	<u>62,043</u>	<u>29,931</u>
Receipts Over [Under] Expenditures	[62,043]	[29,931]
Unencumbered Cash, Beginning	<u>62,043</u>	<u>91,974</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 62,043</u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
 Solid Waste Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2007
 (With Comparative Actual Amounts For the Year Ended December 31, 2006)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 90,826	\$ 87,151	\$ 82,000	\$ 5,151
Total Cash Receipts	<u>90,826</u>	<u>87,151</u>	<u>\$ 82,000</u>	<u>\$ 5,151</u>
Expenditures and Transfers Subject to Budget				
Contractual	83,025	83,097	\$ 84,000	\$ 903
Commodities	-	-	1,000	1,000
Capital outlay	<u>6,506</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>89,531</u>	<u>83,097</u>	<u>\$ 85,000</u>	<u>\$ 1,903</u>
Receipts Over [Under] Expenditures	1,295	4,054		
Unencumbered Cash, Beginning	<u>10,842</u>	<u>12,137</u>		
Unencumbered Cash, Ending	<u>\$ 12,137</u>	<u>\$ 16,191</u>		

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

CITY OF HORTON, KANSAS
Horton Free Public Library
Statement of Cash Receipts and Cash Disbursements - Actual
For the Year Ended December 31, 2007

Cash Receipts	
State of Kansas	\$ 4,265
NEKL Association	12,175
City appropriation	40,000
Interest	1,504
Fines and fees	1,648
Donations	2,765
Miscellaneous	<u>2,148</u>
 Total Cash Receipts	 <u>64,505</u>
Expenditures	
Personal service	39,612
Contractual	12,166
Commodities	<u>8,214</u>
 Total Expenditures	 <u>59,992</u>
 Receipts Over [Under] Expenditures	 4,513
 Unencumbered Cash, Beginning	 <u>81,232</u>
 Unencumbered Cash, Ending	 <u>\$ 85,745</u>

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

STATEMENT 5

CITY OF HORTON, KANSAS
 Statement of Cash, Cash Receipts and Cash Disbursements
 Agency Funds
 For the Year Ended December 31, 2007

<u>FUNDS</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Payroll Clearing	\$ [307]	\$ 459	\$ 2,297	\$ [2,145]
Unreimbursed Medical	<u>-</u>	<u>1,330</u>	<u>1,087</u>	<u>243</u>
Total Agency Funds	<u>\$ [307]</u>	<u>\$ 1,789</u>	<u>\$ 3,384</u>	<u>\$ [1,902]</u>

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

CITY OF HORTON, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 Private-Purpose Trust Funds
 For the Year Ended December 31, 2007

<u>FUNDS</u>	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Schneider Poor	\$ 2,428	\$ -	\$ 102	\$ 102	\$ 2,428	\$ -	\$ 2,428
Heart of Horton	-	-	304	-	304	-	304
Cemetery Memorial	<u>1,202</u>	-	<u>51</u>	-	<u>1,253</u>	-	<u>1,253</u>
Total Private-Purpose Trust Fund	<u>\$ 3,630</u>	<u>\$ -</u>	<u>\$ 457</u>	<u>\$ 102</u>	<u>\$ 3,985</u>	<u>\$ -</u>	<u>\$ 3,985</u>

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

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Horton (the City) is a municipal corporation governed by an elected five member commission. These financial statements present only the primary government of the City (the primary government) and the Horton Free Public Library component unit. They exclude the Horton Housing Authority component unit for which the City is considered financially accountable.

Component Units that are Discretely Presented:

The Horton Free Public Library (Library) serves the citizens within the City's jurisdiction. Acquisition or disposition of real property by the Library must be approved by the City. Bond issues must be approved by the City. The Library has a December 31st year end.

Component Units that are not Discretely Presented:

The Housing Authority of the City of Horton (Housing Authority) operates the City's housing projects. The Housing Authority can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City. The Housing Authority has a March 31st year end. Financial statements for the Housing Authority may be obtained at the Housing Authority of the City of Horton, 1701 Euclid Avenue, Horton, Kansas.

Basis of Accounting

These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. 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.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

The City has a waiver from accounting principles generally accepted in the United States of America, which allows the City to use the prescribed basis of accounting.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The City's governmental fund types are:

General Fund - to account for all unrestricted cash except that required to be accounted for in another fund. This is the principal operating fund of the City.

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

The Debt Service Fund is used to account for the accumulation of cash for, and the payment of, principal, interest and other related costs of the City's general obligation bonds.

Proprietary Fund Types

The proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those often found in the private sector. The City's proprietary fund types are:

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

Private-Purpose Trust Funds are used to account for assets where both principal and interest may be spent. Private-Purpose trust funds are accounted for in essentially the same manner as the governmental fund types.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. These funds are used to account for assets that the City holds for others in an agency capacity.

Reclassifications

The City adopted a new method of allocating expenditures to departments, for the year ended December 31, 2007, in the General Fund. The City was unable to restate the prior year allocations.

Budgetary Information

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

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

The statutes allow for the city commission to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The 2007 budget was amended for the General, Court Diversion, Electric and Water Funds.

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

The statutes permit transferring budgeted amounts between accounts 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 City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, agency funds, and certain special revenue funds.

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

NOTE 2 - Deposits

The City's cash is considered to be active funds by management and is invested according to KSA 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county in which the City is located or in a county adjacent to the City and the banks provide an acceptable rate for active funds.

Various City investments are considered to be idle funds by management and are invested according to KSA 12-1675. The statute requires that the City invest its idle funds in only temporary notes of the City, bank certificates of deposit, repurchase agreements, and if eligible banks do not offer an acceptable rate for the funds: U.S. Treasury bills or notes or the Kansas Municipal Investment Pool (KMIP). Maturities of the above investments may not exceed two years by statute.

Some of the City's investments are of bond proceeds invested pursuant to KSA 10-131. This statute allows additional investment authority beyond that of KSA 12-1675. Investments of bond proceeds may follow KSA 12-1675 or include other investments such as the KMIP, direct obligations of the U.S. government or any agency thereof, investment agreements with a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's investors service or Standard and Poor's corporation, and various other investments as specified in KSA 10-131.

At December 31, 2007, the City has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool	\$ <u>878,030</u>	S&P AAAf/S1+

The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk require that the depository banks will maintain 100% security in the form of FDIC coverage and pledged collateral according to KSA 9-1402.

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 2 - Deposits (Continued)

The City does not have any formal investment policies that would further limit concentration of credit risk, interest rate, or custodial credit risks beyond state statutes.

NOTE 3 - Retirement Plan

Plan Description - The City participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to KPERs (611 South Kansas Avenue, Topeka, Kansas 66603) 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. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate was 5.31% for the year ended December 31, 2007. The City employer contributions to KPERs for the years ending December 31, 2007, 2006, and 2005 were \$35,938, \$27,316, and \$24,106, respectively, equal to the required contributions for each year.

NOTE 4 - Compensated Absences

The City allows certain employees to carryover some of their unused vacation days from one year to the next. These are paid upon termination or retirement if not used. The amount of vacation pay available for use at December 31, 2007, is \$27,306.

NOTE 5 - Related Party Transactions

The City paid \$300 during the year ended December 31, 2007, for gun service, to a company owned by a City commissioner. The City also paid \$21,445 during the year ended December 31, 2007, for fuel, to a company owned by a City commissioner.

The City also paid \$4,093 during the year ended December 31, 2007, for parts, to a company owned by an employees' family member.

NOTE 6 - Lease Agreement

The City, the lessor, entered into a lease agreement with Tri-County Manor Living Center, Inc. on May 1, 2007 for the lease of the manor facility. The lease termination date is March 1, 2023 and requires monthly lease payments of \$1,400 beginning on May 1, 2008 and continuing thereafter until the aggregate amount paid totals \$250,000. Tri-County Manor Living Center, Inc. has the option to purchase the facility upon payment in full of the lease payments totaling \$250,000.

NOTE 7 - Long-Term Debt

Following is a detailed listing of the City's general obligation debt:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
Improvements	5/2/2005	12/1/2020	3.00 to 4.25%	\$ 300,000	\$ 270,000
Refunding	4/11/2003	12/1/2022	1.25 to 4.75%	615,000	<u>400,000</u>
					<u>\$ 670,000</u>

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 7 - Long-Term Debt (Continued)

Annual debt service requirements to maturity for the general obligation bonds are as follows:

<u>Year Ending December 31,</u>	<u>Enterprise Funds</u>
2008	\$ 86,998
2009	60,235
2010	64,100
2011	62,720
2012	41,270
2013-2017	404,893
2018-2021	<u>183,348</u>
Total Principal and Interest	903,566
Less: Interest	<u>233,566</u>
Total	<u>\$ 670,000</u>

Revenue Bonds. The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
Electric fund refunding bonds	4/1/1999	10/1/2008	4.0 to 4.7%	\$ 510,000	\$ 60,000
Electric fund refunding bonds	3/1/2002	10/1/2022	4.1 to 5.35%	1,700,000	<u>1,680,000</u>
					<u>\$ 1,740,000</u>

Revenue bond debt service requirements to maturity:

<u>Year Ending December 31,</u>	
2008	\$ 172,869
2009	168,986
2010	170,268
2011	171,218
2012	171,824
2013-2017	855,359
2018-2022	<u>827,505</u>
Total Principal and Interest	2,538,028
Less: Interest	<u>798,028</u>
Total	<u>\$ 1,740,000</u>

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 7 - Long-Term Debt (Continued)

The City has entered into lease agreements as lessee for financing the acquisition of equipment.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2007, were as follows:

Year Ending <u>December 31,</u>	
2008	\$ 48,360
2009	38,882
2010	15,466
2011	<u>3,867</u>
Total minimum lease payments	106,575
Less: amount representing interest	<u>7,955</u>

Present value of minimum lease payments \$ 98,620

On July 23, 2007, the City issued \$200,000 in Series 2007 Temporary Notes to finance the cost of dredge and to increase the depth of Mission Lake. The interest rate on the notes is 3.75%. The final maturity date is July 15, 2008. The City issued \$500,000 in temporary notes on July 1, 2008 to refinance the Series 2007 Temporary Notes. The interest rate on the new temporary notes is 2.375% with a final maturity of July 15, 2009. The City has issued \$995,000 in temporary notes for the Mission Lake Project. The notes were issued on March 15, 2008 with a final maturity of March 15, 2009 and an interest rate of 4.25%.

Following is a summary of changes in long-term debt for the year ended December 31, 2007:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Adjustments/ Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Revenue Bonds	\$ 1,820,000	\$ -	\$ 80,000	\$ 1,740,000
Temporary Notes	-	200,000	-	200,000
General Obligation Bonds	730,000	-	60,000	670,000
Capital Leases	<u>169,719</u>	<u>-</u>	<u>71,099</u>	<u>98,620</u>
 Total	 <u>\$ 2,719,719</u>	 <u>\$ 200,000</u>	 <u>\$ 211,099</u>	 <u>\$ 2,708,620</u>

NOTE 8 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks of loss with the exception of loss from damage to or destruction of the electrical distribution system, including related lost revenue. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2007

NOTE 9 - Interfund Transfers

A reconciliation of operating transfers by fund type for 2007 follows:

Fund	To	From
General	\$ 390,000	\$ 2,000
Special Highway	-	23,698
Equipment Reserve	2,000	-
CDBG Grant	178,394	-
Water	-	149,696
Sewer	-	5,000
Electric	62,018	390,000
Electric Project	-	62,018
Total	\$ 632,412	\$ 632,412

NOTE 10 - Revenue Bond Requirements

The City's electric revenue bond covenants require certain reservations and rate coverage. The reserved portions are as follows:

Reserved for revenue bond principal and interest	\$ 43,217
Reserved for depreciation and repair	<u>270,097</u>
Total reservations as required by bond covenants	\$ <u>313,314</u>

Rate coverage met bond covenant requirements.

The number of customers served by the electricity system at January 1, 2007 was 967 and 1,016 at December 31, 2007. The following is a summary of insurance coverage carried on the City's property:

<u>Carrier</u>	<u>Type</u>	<u>Coverage</u>	<u>Premium</u>
EMC Insurance Company Term: 4/1/07 to 4/1/08	Commercial Property	\$6,834,950 Aggregate Limit	\$ 22,187
EMC Insurance Company Term: 4/1/07 to 4/1/08	Inland Marine	\$260,885 Aggregate Limit	2,741
EMC Insurance Company Term: 4/1/07 to 4/1/08	Liability	\$1,000,000 Aggregate Limit \$500,000 Per Occurrence	4,679
EMC Insurance Company Term: 4/1/07 to 4/1/08	Commercial Output	\$8,314,837 Aggregate Limit	23,343
EMC Insurance Company Term: 4/1/07 to 4/1/08	Linebacker	\$1,000,000 Aggregate Limit \$1,000,000 Per Occurrence	3,451

Similar coverage was in place prior to April 1, 2007.