

CITY OF HORTON, KANSAS

Financial Statements

For the Year Ended December 31, 2008

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CITY OF HORTON, KANSAS
 Financial Statements
 For the Year Ended December 31, 2008

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INDEPENDENT AUDITORS 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, 2008, 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, 2007. In our report dated October 24, 2008, 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, 2008.

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, 2008, 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, 2008, 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, 2007, from which such partial information was derived.

Howenthal, Singleton, Webb & Wilkin

Professional Association

August 17, 2009

STATEMENT 1

CITY OF HORTON, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2008

Funds	Beginning	Prior Year	Cash	Expenditures	Ending	Outstanding	Ending
	Unencumbered Cash Balance	Cancelled Encumbrances			Unencumbered Cash Balance	Encumbrances and Accounts Payable	Cash Balance
General Fund	\$ 22,992	\$ -	\$ 1,319,682	\$ 1,323,601	\$ 19,073	\$ -	\$ 19,073
Special Revenue Funds:							
Industrial Fund	3,144	-	7,457	6,536	4,065	-	4,065
Special Highway Fund	58,232	-	52,487	95,000	15,719	-	15,719
Equipment Reserve Fund	10,475	-	2,000	-	12,475	-	12,475
Public Building Reserve Fund	3,354	-	-	1,580	1,774	-	1,774
State Grant Fund	35,667	-	1,730,177	1,565,569	200,275	13,972	214,247
Court Diversion Fund	11,188	-	4,050	13,841	1,397	-	1,397
CDBG Grant Fund	[199,335]	-	544,336	345,001	-	-	-
Debt Service Fund:							
Bond and Interest Fund	968	-	25,632	25,713	887	-	887
Enterprise Funds:							
Water Fund	278,957	-	268,008	357,185	189,780	-	189,780
Water Improvement Fund	690	-	-	690	-	-	-
Sewer Fund	51,995	-	190,816	135,880	106,931	-	106,931
Sewer Improvement Fund	44,831	-	-	44,482	349	-	349
Electric Fund	1,024,071	-	1,643,806	1,640,747	1,027,130	2,854	1,029,984
Solid Waste Fund	16,191	-	95,433	96,520	15,104	-	15,104
Private-Purpose Trust Funds	3,985	-	10,353	4,217	10,121	-	10,121
Total Primary Government	1,367,405	-	5,894,237	5,656,562	1,605,080	16,826	1,621,906
Component Units:							
Horton Free Public Library	85,745	-	69,001	67,297	87,449	-	87,449
Total Reporting Entity	\$ 1,453,150	\$ -	\$ 5,963,238	\$ 5,723,859	\$ 1,692,529	\$ 16,826	\$ 1,709,355

COMPOSITION OF CASH:

Horton National Bank:	
Checking	\$ 639,968
Certificates of Deposit	2,428
Union State Bank:	
Certificates of Deposit	100,000
United Bank of Kansas:	
Checking	45,705
Certificates of Deposit	200,000
State of Kansas Municipal Investment Pool	633,049
Horton National Bank:	
Checking	17,298
Savings	34,286
Union State Bank:	
Savings	24,449
United Bank of Kansas:	
Certificates of Deposit	11,416
Total Cash	1,708,599
Less: Agency Funds	756
Total (Excluding Agency Funds)	\$ 1,709,355

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

STATEMENT 2

CITY OF HORTON, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2008

Funds	Certified Budget	Adjustment for		Total Budget for Comparison	Expenditures Chargeable to Current Year Budget	Variance Positive [Negative]
		Qualifying Budget Credits				
General Fund	\$ 1,324,180	\$ -	\$ -	\$ 1,324,180	\$ 1,323,601	\$ 579
Special Revenue Funds:						
Industrial	8,000	-	-	8,000	6,536	1,464
Special Highway	95,000	-	-	95,000	95,000	-
Equipment Reserve	13,000	-	-	13,000	-	13,000
Public Building Reserve	3,354	-	-	3,354	1,580	1,774
Court Diversion	15,000	-	-	15,000	13,841	1,159
Debt Service Fund:						
Bond and Interest	26,153	-	-	26,153	25,713	440
Enterprise Funds:						
Water	381,648	-	-	381,648	357,185	24,463
Sewer	193,838	-	-	193,838	135,880	57,958
Electric	1,764,751	-	-	1,764,751	1,640,747	124,004
Solid Waste	97,000	-	-	97,000	96,520	480

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

STATEMENT 3-1
1 of 2

CITY OF HORTON, KANSAS
General Fund

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

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Taxes	\$ 659,293	\$ 730,151	\$ 727,101	\$ 3,050
Intergovernmental	19,716	19,730	20,000	[270]
Franchise tax	64,595	61,282	66,000	[4,718]
Licenses	2,318	3,102	157,971	[154,869]
Fines and fees	67,511	68,192	-	68,192
Interest	71,773	36,917	46,000	[9,083]
Use of property	880	11,200	-	11,200
Charges for services	63,773	50,383	128,000	[77,617]
Grants	3,430	3,533	-	3,533
Transfer in	390,000	185,140	185,000	140
Reimbursement	42,812	150,052	-	150,052
Total Cash Receipts	<u>1,386,101</u>	<u>1,319,682</u>	<u>\$ 1,330,072</u>	<u>\$ [10,390]</u>
Expenditures and Transfers Subject to Budget				
General Government				
Personnel	173,805	173,058	174,000	942
Contractual services	53,340	56,480	59,000	2,520
Commodities	19,422	22,276	27,000	4,724
Capital outlay	262,464	1,389	-	[1,389]
Miscellaneous	4,236	3,759	-	[3,759]
Law Enforcement				
Personnel	188,823	193,612	203,000	9,388
Contractual services	17,315	12,493	17,000	4,507
Commodities	24,001	33,664	25,000	[8,664]
Capital outlay	2,360	5,242	-	[5,242]
Parks and Recreation				
Personnel	15,391	14,974	26,500	11,526
Contractual services	3,271	8,719	5,000	[3,719]
Commodities	24,939	15,775	21,000	5,225
Capital outlay	1,273	14,939	1,000	[13,939]
Streets				
Personnel	87,233	105,661	90,000	[15,661]
Contractual services	24,630	112,205	25,000	[87,205]
Commodities	35,715	110,077	40,000	[70,077]
Capital outlay	14,981	4,921	30,000	25,079
Debt service	-	-	157,000	157,000

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, 2008
(With Comparative Actual Amounts For the Year Ended December 31, 2007)

	Prior Year Actual	Actual	Budget	Variance Positive [Negative]
Library				
Contractual services	\$ 38,000	\$ 38,000	\$ 38,000	\$ -
Capital outlay	2,000	2,000	2,000	-
Building Demolition	6,639	-	-	-
Cemetery	11,395	5,548	5,800	252
Airport	2,429	2,272	2,700	428
Firing Range				
Contractual services	90	118	500	382
Commodities	6,204	4,745	500	[4,245]
Pool				
Personnel	26,489	23,130	16,500	[6,630]
Contractual services	1,478	4,548	10,000	5,452
Commodities	9,617	7,191	12,000	4,809
Capital outlay	2,219	-	2,000	2,000
Communications				
Personnel	115,395	123,874	125,000	1,126
Contractual services	14,474	9,865	11,000	1,135
Commodities	9,666	9,081	12,000	2,919
Capital outlay	2,017	4,729	-	[4,729]
Court				
Personnel	9,372	5,862	9,500	3,638
Contractual services	5,935	6,427	6,500	73
Commodities	11,745	14,821	10,000	[4,821]
Fire Department				
Personnel	12,539	9,390	13,500	4,110
Contractual services	3,868	7,558	7,000	[558]
Commodities	4,732	8,747	10,000	1,253
Capital outlay	1,866	2,559	-	[2,559]
Fire insurance proceeds	11,728	-	-	-
Employee benefits	81,037	104,927	110,000	5,073
Transfer out	2,000	2,000	-	[2,000]
Debt service	59,800	36,965	19,180	[17,785]
Total Expenditures and Transfers Subject to Budget	<u>1,405,933</u>	<u>1,323,601</u>	<u>\$ 1,324,180</u>	<u>\$ 579</u>
Receipts Over [Under] Expenditures	[19,832]	[3,919]		
Unencumbered Cash, Beginning	<u>42,824</u>	<u>22,992</u>		
Unencumbered Cash, Ending	<u>\$ 22,992</u>	<u>\$ 19,073</u>		

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

STATEMENT 3-2

CITY OF HORTON, KANSAS
Industrial Fund

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

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 2,698	\$ 7,457	\$ 7,679	\$ [222]
Total Cash Receipts	<u>2,698</u>	<u>7,457</u>	<u>7,679</u>	<u>[222]</u>
Expenditures and Transfers Subject to Budget				
Contractual	-	-	\$ 6,000	\$ 6,000
Commodities	5,592	6,536	2,000	[4,536]
Total Expenditures and Transfers Subject to Budget	<u>5,592</u>	<u>6,536</u>	<u>8,000</u>	<u>\$ 1,464</u>
Receipts Over [Under] Expenditures	[2,894]	921		
Unencumbered Cash, Beginning	6,038	3,144		
Unencumbered Cash, Ending	<u>\$ 3,144</u>	<u>\$ 4,065</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, 2008
 (With Comparative Actual Amounts For the Year Ended December 31, 2007)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Taxes	\$ 54,120	\$ 52,487	\$ 52,487	\$ -
Total Cash Receipts	<u>54,120</u>	<u>52,487</u>	<u>52,487</u>	<u>\$ -</u>
Expenditures and Transfers Subject to Budget				
Commodities	27,404	-	\$ -	\$ -
Transfer out	<u>23,698</u>	<u>95,000</u>	<u>95,000</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>51,102</u>	<u>95,000</u>	<u>\$ 95,000</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	3,018	[42,513]		
Unencumbered Cash, Beginning	<u>55,214</u>	<u>58,232</u>		
Unencumbered Cash, Ending	<u>\$ 58,232</u>	<u>\$ 15,719</u>		

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

STATEMENT 3-4

CITY OF HORTON, KANSAS
 Equipment Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2008
 (With Comparative Actual Amounts For the Year Ended December 31, 2007)

	Prior Year <u>Actual</u>	Current Year			Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>		
Cash Receipts					
Transfer In	\$ 2,000	\$ 2,000	\$ -	\$ 2,000	
Total Cash Receipts	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>\$ 2,000</u>	
Expenditures and Transfers Subject to Budget Commodities	-	-	\$ 13,000	\$ 13,000	
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>-</u>	<u>\$ 13,000</u>	<u>\$ 13,000</u>	
Receipts Over [Under] Expenditures	2,000	2,000			
Unencumbered Cash, Beginning	8,475	10,475			
Unencumbered Cash, Ending	<u>\$ 10,475</u>	<u>\$ 12,475</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, 2008
 (With Comparative Actual Amounts For the Year Ended December 31, 2007)

		Current Year			
	Prior Year Actual	Actual	Budget	Variance Positive	[Negative]
Cash Receipts	-	-	-	-	-
Transfer in	-	-	-	-	-
Total Cash Receipts	-	-	-	-	-
Expenditures and Transfers Subject to Budget					
Capital outlay	-	1,580	3,354	\$ 1,774	\$ 1,774
Total Expenditures and Transfers Subject to Budget	-	1,580	3,354	\$ 1,774	\$ 1,774
Receipts Over [Under] Expenditures	-	[1,580]			
Unencumbered Cash, Beginning	3,354	3,354			
Unencumbered Cash, Ending	\$ 3,354	\$ 1,774			

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

STATEMENT 3-6

CITY OF HORTON, KANSAS
State Grant Fund
Statement of Cash Receipts and Expenditures - Actual*
For the Year Ended December 31, 2008 and 2007

	Year Ended December 31,	
	2008	2007
Cash Receipts	\$ 115,051	\$ 39,205
Grants	1,791	229
Interest income	55,258	-
Use of property	63,077	-
Miscellaneous	1,495,000	200,000
Bond proceeds	1,730,177	239,434
Total Cash Receipts	<u>1,730,177</u>	<u>239,434</u>
Expenditures and Transfers		
Contractual	295,612	199,573
Commodities	129,624	4,194
Bond payment	207,500	-
Capital outlay	932,833	-
Total Expenditures and Transfers	<u>1,565,569</u>	<u>203,767</u>
Receipts Over [Under] Expenditures	164,608	35,667
Unencumbered Cash, Beginning	<u>35,667</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 200,275</u>	<u>\$ 35,667</u>

* This fund is not required to be budgeted.

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

CITY OF HORTON, KANSAS
 Court Diversion Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2008
 (With Comparative Actual Amounts For the Year Ended December 31, 2007)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 4,450	\$ 4,050	\$ 3,000	\$ 1,050
Total Cash Receipts	<u>4,450</u>	<u>4,050</u>	<u>3,000</u>	<u>\$ 1,050</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	3,409	3,127	15,000	\$ 11,873
Transfer out	-	10,714	-	[10,714]
Total Expenditures and Transfers Subject to Budget	<u>3,409</u>	<u>13,841</u>	<u>15,000</u>	<u>\$ 1,159</u>
Receipts Over [Under] Expenditures	1,041	[9,791]		
Unencumbered Cash, Beginning	<u>10,147</u>	<u>11,188</u>		
Unencumbered Cash, Ending	\$ <u>11,188</u>	\$ <u>1,397</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, 2008 and 2007

	Year Ended December 31,	
	<u>2008</u>	<u>2007</u>
Cash Receipts	\$ 251,948	\$ 148,052
Taxes	292,388	178,394
Transfer In	<u>544,336</u>	<u>326,446</u>
Total Cash Receipts	<u>1,088,672</u>	<u>652,892</u>
Expenditures and Transfers Subject to Budget		
Contract services	<u>345,001</u>	<u>525,781</u>
Total Expenditures and Transfers Subject to Budget	<u>345,001</u>	<u>525,781</u>
Receipts Over [Under] Expenditures	199,335	[199,335]
Unencumbered Cash, Beginning	<u>[199,335]</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ [199,335]</u>

* - This fund is not required to be budgeted.

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

CITY OF HORTON, KANSAS
 Bond and Interest Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2008
 (With Comparative Actual Amounts For the Year Ended December 31, 2007)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 26,938	\$ 25,632	\$ 25,935	\$ [303]
Total Cash Receipts	<u>26,938</u>	<u>25,632</u>	<u>25,935</u>	<u>[303]</u>
Expenditures and Transfers Subject to Budget				
Principal	26,000	25,000	25,000	\$ -
Interest	338	338	338	-
Fees	5	375	815	440
Total Expenditures and Transfers Subject to Budget	<u>26,343</u>	<u>25,713</u>	<u>26,153</u>	<u>440</u>
Receipts Over [Under] Expenditures	595	[81]		
Unencumbered Cash, Beginning	<u>373</u>	<u>968</u>		
Unencumbered Cash, Ending	<u>\$ 968</u>	<u>\$ 887</u>		

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

STATEMENT 3-10

CITY OF HORTON, KANSAS
Water Fund

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

	Prior Year Actual	Current Year			Variance Positive [Negative]
		Actual	Budget	Variance	
Cash Receipts					
Charges for services	\$ 245,906	\$ 262,124	\$ 267,000	\$ [4,876]	
Transfer in	-	690	-	690	
Miscellaneous	3,462	5,194	-	5,194	
Total Cash Receipts	<u>249,368</u>	<u>268,008</u>	<u>\$ 267,000</u>	<u>\$ 1,008</u>	
Expenditures and Transfers Subject to Budget					
Personnel	89,758	93,809	\$ 94,000	\$ 191	
Contractual	47,501	63,953	-	[63,953]	
Commodities	57,992	35,494	122,919	87,425	
Capital outlay	10,269	17,481	137,481	120,000	
Debt service	31,236	26,448	27,248	800	
Transfer out	149,696	120,000	-	[120,000]	
Total Expenditures and Transfers Subject to Budget	<u>386,452</u>	<u>357,185</u>	<u>\$ 381,648</u>	<u>\$ 24,463</u>	
Receipts Over [Under] Expenditures	[137,084]	[89,177]			
Unencumbered Cash, Beginning	<u>416,041</u>	<u>278,957</u>			
Unencumbered Cash, Ending	<u>\$ 278,957</u>	<u>\$ 189,780</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Receipts	-	-
Intergovernmental	-	-
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures and Transfers Subject to Budget		
Transfer out	690	-
Total Expenditures and Transfers Subject to Budget	<u>690</u>	<u>-</u>
Receipts Over [Under] Expenditures	[690]	-
Unencumbered Cash, Beginning	<u>690</u>	<u>690</u>
Unencumbered Cash, Ending	<u>-</u>	<u>690</u>

* This fund is not required to be budgeted.

STATEMENT 3-12

CITY OF HORTON, KANSAS
Sewer Fund

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

	Prior Year Actual	Current Year			Variance Positive [Negative]
		Actual	Budget		
Cash Receipts					
Charges for services	\$ 184,690	\$ 186,299	\$ 190,000	\$	[3,701]
Miscellaneous	3,991	4,517	-		4,517
Total Cash Receipts	<u>188,681</u>	<u>190,816</u>	<u>\$ 190,000</u>	<u>\$</u>	<u>816</u>
Expenditures and Transfers Subject to Budget					
Personnel	85,011	56,774	\$ 89,000	\$	32,226
Contractual	27,779	22,704	70,000		47,296
Commodities	26,039	20,578	-		[20,578]
Capital outlay	4,544	986	-		[986]
Debt service	39,841	34,838	34,838		-
Transfer out	5,000	-	-		-
Total Expenditures and Transfers Subject to Budget	<u>188,214</u>	<u>135,880</u>	<u>\$ 193,838</u>	<u>\$</u>	<u>57,958</u>
Receipts Over [Under] Expenditures	467	54,936			
Unencumbered Cash, Beginning	<u>51,528</u>	<u>51,995</u>			
Unencumbered Cash, Ending	<u>\$ 51,995</u>	<u>\$ 106,931</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, 2008 and 2007

	Year Ended December 31, 2008	2007
Cash Receipts	-	-
Bond proceeds	-	-
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures and Transfers Subject to Budget		
Commodities	-	3,022
Contractual services	-	14,100
Transfer out	10,000	-
Capital outlay	34,482	73,550
Total Expenditures and Transfers Subject to Budget	<u>44,482</u>	<u>90,672</u>
Receipts Over [Under] Expenditures	[44,482]	[90,672]
Unencumbered Cash, Beginning	<u>44,831</u>	<u>135,503</u>
Unencumbered Cash, Ending	<u>\$ 349</u>	<u>\$ 44,831</u>

* This fund is not required to be budgeted.

STATEMENT 3-14

CITY OF HORTON, KANSAS
Electric Fund

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

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 1,517,983	\$ 1,643,806	\$ 1,600,000	\$ 43,806
Transfer in	62,018	-	-	-
Total Cash Receipts	<u>1,580,001</u>	<u>1,643,806</u>	<u>1,600,000</u>	<u>43,806</u>
Expenditures and Transfers Subject to Budget				
Personnel	144,900	150,541	\$ 164,000	\$ 13,459
Contractual	52,782	116,061	-	[116,061]
Commodities	855,104	947,058	1,230,131	283,073
Capital outlay	12,421	5,541	-	[5,541]
Transfer out	390,000	236,674	185,000	[51,674]
Debt service	187,882	184,872	185,620	748
Total Expenditures and Transfers Subject to Budget	<u>1,643,089</u>	<u>1,640,747</u>	<u>\$ 1,764,751</u>	<u>\$ 124,004</u>
Receipts Over [Under] Expenditures	[63,088]	3,059		
Unencumbered Cash, Beginning	<u>1,087,159</u>	<u>1,024,071</u>		
Unencumbered Cash, Ending	<u>\$ 1,024,071</u>	<u>\$ 1,027,130</u>		

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

CITY OF HORTON, KANSAS
 Solid Waste Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2008
 (With Comparative Actual Amounts For the Year Ended December 31, 2007)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 87,151	\$ 95,433	\$ 94,700	\$ 733
Total Cash Receipts	<u>87,151</u>	<u>95,433</u>	<u>94,700</u>	<u>733</u>
Expenditures and Transfers Subject to Budget				
Contractual	83,097	91,520	\$ 92,000	\$ 480
Transfer out	-	5,000	-	[5,000]
Capital outlay	-	-	5,000	5,000
Total Expenditures and Transfers Subject to Budget	<u>83,097</u>	<u>96,520</u>	<u>\$ 97,000</u>	<u>\$ 480</u>
Receipts Over [Under] Expenditures	4,054	[1,087]		
Unencumbered Cash, Beginning	<u>12,137</u>	<u>16,191</u>		
Unencumbered Cash, Ending	<u>\$ 16,191</u>	<u>\$ 15,104</u>		

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

STATEMENT 4

CITY OF HORTON, KANSAS
 Horton Free Public Library
 Statement of Cash Receipts and Cash Disbursements - Actual
 For the Year Ended December 31, 2008

Cash Receipts					\$
State of Kansas				4,249	
NEKL Association				12,355	
City appropriation				40,000	
Interest				1,411	
Fines and fees				901	
Grants				6,611	
Donations				2,810	
Miscellaneous				664	
Total Cash Receipts				69,001	
Expenditures					
Personal service				41,370	
Contractual				17,168	
Commodities				8,320	
Capital outlay				439	
Total Expenditures				67,297	
Receipts Over [Under] Expenditures				1,704	
Unencumbered Cash, Beginning				85,745	
Unencumbered Cash, Ending				<u>87,449</u>	\$

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

CITY OF HORTON, KANSAS
 Statement of Cash, Cash Receipts and Cash Disbursements
 Agency Funds
 For the Year Ended December 31, 2008

<u>FUNDS</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Payroll Clearing	\$ [2,145]	\$ 2,604	\$ 1,211	\$ [752]
Unreimbursed Medical	243	1,090	1,337	[4]
Total Agency Funds	<u>\$ [1,902]</u>	<u>\$ 3,694</u>	<u>\$ 2,548</u>	<u>\$ [756]</u>

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

STATEMENT 6

CITY OF HORTON, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 Private-Purpose Trust Funds
 For the Year Ended December 31, 2008

FUNDS	Beginning	Prior Year	Cash	Expenditures	Ending	Outstanding	Ending
	Unencumbered Cash Balance	Cancelled Encumbrances	Receipts		Unencumbered Cash Balance	Encumbrances and Accounts Payable	Cash Balance
Schneider Poor	\$ 2,428	\$ -	\$ 117	\$ 117	\$ 2,428	\$ -	\$ 2,428
Heart of Horton	304	-	179	-	483	-	483
Restricted Donation (Cemetery Trees)	-	-	10,000	4,100	5,900	-	5,900
Cemetery Memorial	1,253	-	57	-	1,310	-	1,310
Total Private-Purpose Trust Fund	\$ 3,985	\$ -	\$ 10,353	\$ 4,217	\$ 10,121	\$ -	\$ 10,121

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, 2008

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, 2008

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.

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 2008 budget was amended for the General, Solid Waste, Special Highway, Electric and Water Funds.

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2008

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, 2008, the City has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool	\$ <u>633,049</u>	S&P AAAf/IS1+

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, 2008

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 valuation. KPERs is funded on an actuarial reserve bases. State law for the year ended December 31, 2008. The City employer rates for KPERs employers. The employer rate was 5.93% for 31, 2008, 2007, and 2006 were \$37,657, \$35,938, and \$27,316, 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, 2008, is \$24,129.

NOTE 5 - Related Party Transactions

The City also paid \$3,172 during the year ended December 31, 2008, for auto repairs, to a company operated by the city clerk's spouse. The city paid \$7,885 to a company owned by the former city administrator and \$41,789 for fuel and supplies to a business owned by a commissioner.

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:

		Date of	Date of		Original	
		Issue	Final		Issue	Amount
		Maturity		Interest Rate	Amount	Outstanding
Improvements	5/2/2005	12/1/2020	3.00 to 4.25%	\$ 300,000	\$	255,000
Refunding	4/11/2003	12/1/2022	1.25 to 4.75%	615,000	\$	355,000
					<u>\$</u>	<u>610,000</u>

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2008

NOTE 7 - Long-Term Debt (Continued)

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

Year Ending December 31,	Enterprise Funds
2009	\$ 60,235
2010	64,100
2011	62,720
2012	41,270
2013	40,510
2014-2018	401,863
2019-2022	<u>145,868</u>

Total Principal and Interest	816,568
Less: Interest	<u>206,568</u>
Total	<u>\$ 610,000</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:

Purpose	Date of Issue	Date of Final Maturity	Interest Rates	Original Issue Amount	Amount Outstanding
Electric fund refunding bonds	3/1/2002	10/1/2022	4.1 to 5.35%	\$ 1,700,000	<u>\$ 1,655,000</u>
					<u>\$ 1,655,000</u>

Revenue bond debt service requirements to maturity:

Year Ending December 31,	Original Issue Amount	Amount Outstanding
2009	\$ 168,986	
2010	170,268	
2011	171,218	
2012	171,824	
2013	172,074	
2014-2018	851,075	
2019-2022	<u>659,715</u>	
Total Principal and Interest	2,365,159	
Less: Interest	<u>710,159</u>	
Total	<u>\$ 1,655,000</u>	

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2008

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, 2008, were as follows:

Year Ending December 31,	
2009	\$ 76,226
2010	49,153
2011	33,628
2012	25,837
2013	25,837
2014	25,837
Total minimum lease payments	<u>236,517</u>
Less: amount representing interest	<u>23,605</u>

Present value of minimum lease payments \$212,912

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, 2008:

<u>Type of Issue</u>	Beginning Principal	Adjustments/ Additions to Principal	Reductions of Principal	Ending Principal
<u>Type of Issue</u>	<u>Outstanding</u>	<u>Principal</u>	<u>Principal</u>	<u>Outstanding</u>
Revenue Bonds	\$ 1,740,000	\$ -	\$ 85,000	\$ 1,655,000
Temporary Notes	200,000	1,495,000	200,000	1,495,000
General Obligation Bonds	670,000	-	60,000	610,000
Capital Leases	<u>98,620</u>	<u>158,618</u>	<u>44,326</u>	<u>212,912</u>
Total	<u>\$ 2,708,620</u>	<u>\$ 1,653,618</u>	<u>\$ 389,326</u>	<u>\$ 3,972,912</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 four fiscal years.

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2008

NOTE 9 - Interfund Transfers

A reconciliation of operating transfers by fund type for 2008 follows:

	<u>Fund</u>	<u>To</u>	<u>From</u>
General	\$ 185,140		\$ 2,000
Special Highway	-		95,000
CDBG Grant	292,388		-
Equipment Reserve	2,000		-
Sewer Improvement	-		10,000
Water	690		120,000
Water Improvement	-		690
Court Diversion	-		10,714
Unreimbursed Medical	-		140
Solid Waste	-		5,000
Electric	-		<u>236,674</u>
Total	<u>\$ 480,218</u>		<u>\$ 480,218</u>

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	\$ 42,246
Reserved for depreciation and repair	<u>269,712</u>
Total reservations as required by bond covenants	<u>\$ 311,958</u>

Rate coverage met bond covenant requirements.

The number of customers served by the electricity system at January 1, 2008 was 1,016 and 1,014 at December 31, 2008. 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: 4/1/08 to 4/1/09	Commercial Property	\$6,834,950 Aggregate Limit	\$ 23,260
EMC Insurance Company Term: 4/1/08 to 4/1/09	Inland Marine	\$260,885 Aggregate Limit	3,068
EMC Insurance Company Term: 4/1/08 to 4/1/09	Liability	\$1,000,000 Aggregate Limit \$500,000 Per Occurrence	3,369
EMC Insurance Company Term: 4/1/08 to 4/1/09	Commercial Output	\$8,314,837 Aggregate Limit	23,513
EMC Insurance Company Term: 4/1/08 to 4/1/09	Linebacker	\$1,000,000 Aggregate Limit \$1,000,000 Per Occurrence	2,770

Similar coverage was in place prior to April 1, 2008.

