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August 31, 2009

To the Mayor and City Council
The City of Lindsborg
of Lindsborg, Kansas

I am pleased to present this report related to my audit of the financial statements of The City of Lindsborg of Lindsborg, Kansas for the year ended December 31, 2008. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Association's financial reporting process includes other recommendations.

Required Communications

Auditor's Responsibility Under Professional Standards

My responsibility under generally accepted auditing standards in the United States of America is to express an opinion on the financial statements of The City of Lindsborg of Lindsborg, Kansas based on my audit. In carrying out this responsibility, I assessed the risk that the financial statements may contain a material misstatement, either intentional or unintentional, and designed and conducted my audit to provide reasonable, not absolute, assurance of detecting misstatements that are material to the financial statements. In addition, I considered the internal control structure of The City of Lindsborg of Lindsborg, Kansas in order to gain a basic understanding of the accounting system in order to design an effective and efficient audit approach, and not for the purpose of providing assurance on the internal control structure.

Significant Accounting Policies

The significant accounting policies used by The City of Lindsborg of Lindsborg, Kansas are described in Note 1 to the financial statements.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The estimates for property and equipment useful lives are such an estimate. These items are more fully discussed in the footnotes to the financial statements.

Significant Audit Adjustments Not Made

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or many not indicated matter that could have a significant effect on the Association's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Association, either individually or in the aggregate, indicate matters that could have a significant effect on the Association's financial reporting process. The recorded adjustments primarily involve recording depreciation. Audit adjustments not recorded are immaterial individually and in total.

Disagreements with Management

There were no disagreements with management on financial accounting and reporting matters which, if not satisfactory resolved, would have caused a modification of my audit report.

Consultation with Other Accountants

To the best of my knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year which were subject to the requirements of Statement on Auditing Standards No. 50, *Reports on the Application of Accounting Principles*.

Major Issues Discussed with Management Prior to Retention

I discussed in general a variety of matters, including the application of accounting principles and auditing standards, with management prior to my retention as The City of Lindsborg of Lindsborg, Kansas auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition of my retention.

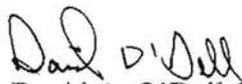
Difficulties Encountered in Performing the Audit

I encountered no difficulties in dealing with management in performing my audit for the year ended December 31, 2008.

Closing

I will be pleased to respond to any questions you have about this report. I appreciate the opportunity to continue to be of service to the Association.

This report is intended solely for the use of the City Council and management should not be used by anyone other than the specified parties.



David A. O'Dell CPA, LLC
McPherson, Kansas

CITY OF LINDSBORG, KANSAS
SPECIAL FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31,
2008 and 2007

David A O'Dell CPA LLC
Certified Public Accountant
McPherson, Kansas 67460

CITY OF LINDSBORG, KANSAS
SPECIAL FINANCIAL STATEMENTS
For the Year Ended December 31, 2008

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CITY OF LINDSBORG, KANSAS
SPECIAL FINANCIAL STATEMENTS
For the Year Ended December 31, 2008

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lindsborg, Kansas

I have audited the accompanying financial statements of the City of Lindsborg, Kansas, as of and for the years ended December 31, 2008 and 2007 and the individual fund financial statements of the City of Lindsborg, Kansas, as of and for the years ended December 31, 2008 and 2007, as listed in table of contents. These financial statements are the responsibility of the City of Lindsborg, Kansas' management. My responsibility is to express an opinion on these financial statements based on my audit.

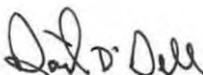
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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. I believe that my audit provides a reasonable basis for my opinion.

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

In my opinion, 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 in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2008 and 2007, or the results of its operations, or the cash flows of its proprietary fund types for the year then ended.

However, in my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the City as of December 31, 2008 and 2007, and its cash receipts and expenditures, for the years then ended on the basis of accounting described in Note 1. Also, in my opinion, the individual fund financial statements as of and for the years ended December 31, 2008 and 2007, present fairly in all material respects, the cash receipts, expenditures, and unencumbered cash balances, on the basis of accounting described in Note 1.

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


David A. O'Dell CPA, LLC

August 31, 2009
McPherson, Kansas

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

MEMBER OF THE KANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LINDSBORG, KANSAS

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

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GENERAL OPERATING FUND:							
General Operating Fund	\$ 686,605	\$ -	\$ 1,658,500	1,633,021	\$ 712,084	\$ 110,180	\$ 822,264
SPECIAL REVENUE FUNDS:							
Economic Development Fund	-	-	-	-	-	-	-
Special Law Enforcement Fund	-	-	72	-	72	-	72
Industrial Development Fund	11,603	-	63,065	35,954	38,714	3,476	42,190
Library Fund	-	-	47,234	47,234	-	-	-
Recreation Fund	3,714	-	67,109	62,659	8,164	1,356	9,520
Municipal Golf Course Fund	-	-	137,977	107,444	30,533	1,300	31,833
Special Park and Recreation Fund	28,727	-	7,355	-	36,082	-	36,082
Special Streets Fund	160,978	-	95,334	153,892	102,420	75,241	177,661
Tourism Promotion Fund	2,943	-	23,115	20,755	5,303	1,131	6,434
Total Special Revenue Funds	207,965	-	441,261	427,938	221,288	82,504	303,792
DEBT SERVICE FUND:							
Bond and Interest Fund	221,241	-	311,667	256,486	276,422	-	276,422
CAPITAL PROJECTS FUNDS:							
Street	-	-	114,000	114,000	-	-	-
Waste Water Treatment	-	-	282,422	282,422	-	25,342	25,342
Capital Improvement Reserve	30,211	-	146	30,357	-	517	517
Municipal Equipment Reserve	41,229	-	-	26,989	14,240	-	14,240
Total Capital Projects Funds	71,440	-	396,568	453,768	14,240	25,859	40,099
ENTERPRISE FUNDS:							
Electric Utility Fund	1,844,523	-	2,550,283	2,307,619	2,087,187	166,234	2,253,421
Water Utility Fund	1,444,905	-	390,041	479,993	1,354,953	24,537	1,379,490
Sewer Utility Fund	771,472	-	359,408	573,721	557,159	11,842	569,001
Ambulance Fund	236,785	-	159,476	149,176	247,085	17,656	264,741
Solid Waste Fund	196,285	-	201,249	238,966	158,568	13,801	172,369
Total Enterprise Funds	4,493,970	-	3,660,457	3,749,475	4,404,952	234,070	4,639,022
Total Primary Government	5,681,221	-	6,468,453	6,520,688	5,628,986	452,613	6,081,599

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

CITY OF LINDSBORG, KANSAS

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

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
COMPONENT UNITS:							
Library Board	37,253	-	84,929	60,668	61,514	3,939	65,453
Elmwood Cemetery Board	43,738	-	14,026	27,422	30,342	-	30,342
Total Component Units	80,991	-	98,955	88,090	91,856	3,939	95,795
Total Reporting Entity (Excluding Agency Funds)	\$ 5,762,212	\$ -	\$ 6,567,408	\$ 6,608,778	\$ 5,720,842	\$ 456,552	\$ 6,177,394

COMPOSITION OF CASH:

Cash on Hand	\$ 250
Checking Accounts	221,789
Certificates of Deposit	5,574,473
Kansas Municipal Investment Pool	302,363
Total Cash - Primary Government	6,098,875
Agency Funds per Statement 5	(17,276)
Total Primary Government (Excluding Agency Funds)	6,081,599
Cash on Hand	50
Checking Accounts	21,458
Savings Accounts	17,390
Certificates of Deposit	56,897
Total Cash - Component Units	95,795
Total Reporting Entity (Excluding Agency Funds)	\$ 6,177,394

CITY OF LINDSBORG, KANSAS
(Budgeted Funds Only)
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2008

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Favorable (Unfavorable)</u>
GENERAL OPERATING FUND					
General Operating Fund	\$ 1,932,009	\$ -	\$ 1,932,009	\$ 1,633,021	\$ 298,988
SPECIAL REVENUE FUNDS:					
Economic Development Fund	-	-	-	-	-
Industrial Development Fund	66,000	-	66,000	35,954	30,046
Library Fund	47,705	-	47,705	47,234	471
Recreation Fund	79,000	-	79,000	62,659	16,341
Special Park and Recreation Fund	34,705	-	34,705	-	34,705
Special Streets Fund	167,523	-	167,523	153,892	13,631
Tourism Promotion Fund	25,000	-	25,000	20,755	4,245
Municipal Golf Course	126,000	-	126,000	107,444	18,556
DEBT SERVICE FUND:					
Bond and Interest Fund	305,552	-	305,552	256,486	49,066
ENTERPRISE FUNDS:					
Electric Utility Fund	2,861,217	-	2,861,217	2,307,619	553,598
Water Utility Fund	923,197	-	923,197	479,993	443,204
Sewer Utility Fund	328,873	-	328,873	573,721	(244,848)
Ambulance Fund	404,662	-	404,662	149,176	255,486
Solid Waste Fund	319,811	-	319,811	238,966	80,845

**CITY OF LINDSBORG, KANSAS
GENERAL OPERATING 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)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
CASH RECEIPTS:				
Ad Valorem Taxes -				
Current Tax	\$ 415,728	\$ 461,318	\$ 471,836	\$ (10,518)
Delinquent Tax	7,026	11,701	5,000	6,701
MV, RV and Heavy Truck Tax	68,431	69,829	66,589	3,240
In Lieu of Taxes	12,723	12,725	13,000	(275)
Sales and Compensating Tax - County	320,259	356,496	365,000	(8,504)
Sales and Compensating Tax - City	125,596	138,490	-	138,490
Liquor Tax	4,372	7,355	5,175	2,180
Connecting Links	11,040	11,048	11,040	8
Rural Fire District Contract	5,003	17,458	15,790	1,668
Licenses, Permits, and Fees -				
Franchise	83,777	87,474	85,000	2,474
Dog/Impounding	2,875	2,600	2,000	600
Liquor Licenses	1,000	1,000	500	500
Building Permits	5,000	5,912	6,500	(588)
Pole Charges - Cable TV	3,492	3,600	3,550	50
Space Charge - Cellular Antenna	5,465	9,800	-	9,800
Other	2,833	5,399	2,025	3,374
Interest	316,678	252,727	175,000	77,727
Court Fees	67,021	59,654	45,000	14,654
Reimbursed Expenses	11,115	52,880	5,000	47,880
Rental Income	10,360	10,390	18,860	(8,470)
Annual Compost Conference	-	8,550	-	-
CVB Memberships/Lindsborg Tomorrow	2,646	5,870	-	5,870
Miscellaneous Income	4,571	1,193	5,000	(3,807)
Swimming Pool -				
Concessions	9,398	9,326	-	9,326
Lessons	4,212	5,338	-	5,338
Admissions	30,766	37,088	45,000	(7,912)
Swim Club Proceeds	1,337	1,579	-	1,579
Operating Transfers	11,400	11,700	11,700	-
Total Cash Receipts	1,544,124	1,658,500	\$ 1,358,565	\$ 291,385

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

CITY OF LINDSBORG, KANSAS
GENERAL OPERATING 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, 2006)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
EXPENDITURES:				
General Government -				
Personal Services	167,199	164,303	\$ 170,000	\$ 5,697
Contractual	198,747	187,520	160,000	(27,520)
Commodities	31,280	25,509	25,000	(509)
Capital Outlay	259,199	5,407	162,009	156,602
Real Estate Taxes	12,985	10,776	-	(10,776)
Continuing Education	6,879	8,554	-	(8,554)
Public Safety -				
Personal Services	367,249	386,958	396,000	9,042
Contractual	49,480	61,922	41,000	(20,922)
Commodities	33,259	29,303	39,000	9,697
Capital Outlay	19,705	26,900	33,000	6,100
Continuing Education	1,718	2,825	-	(2,825)
Streets and Highways -				
Personal Services	164,082	172,375	218,000	45,625
Contractual	16,759	25,156	20,000	(5,156)
Commodities	35,858	33,478	30,000	(3,478)
Capital Outlay	3,800	104,782	111,000	6,218
Continuing Education	625	649	-	(649)
Park -				
Personal Services	102,128	114,270	112,000	(2,270)
Contractual	14,709	18,276	25,000	6,724
Commodities	17,988	12,770	15,000	2,230
Capital Outlay	4,824	80,502	100,000	19,498
Continuing Education	1,077	1,020	-	(1,020)
Trees -				
Personal Services	-	63,521	61,000	(2,521)
Contractual	445	17,420	25,000	7,580
Commodities	334	3,020	5,000	1,980
Capital Outlay	-	-	-	-
Continuing Education	-	568	-	(568)
Swimming Pool -				
Personal Services	42,694	47,854	57,000	9,146
Contractual	18,533	6,022	10,000	3,978
Commodities	15,818	10,136	15,000	4,864
Concessions	5,519	5,263	2,000	(3,263)
Capital Outlay	966	-	-	-

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

**CITY OF LINDSBORG, KANSAS
GENERAL OPERATING 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, 2006)**

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
EXPENDITURES (Continued):				
Library	1,075	816	-	(816)
Transfers Out -				
Cemetery	5,000	5,000	-	(5,000)
Capital Improvement Reserve	5,000	146	100,000	99,854
TOTAL EXPENDITURES	<u>1,604,934</u>	<u>1,633,021</u>	<u>\$ 1,932,009</u>	<u>\$ 298,988</u>
Receipts Under Expenditures	(60,810)	25,479		
Unencumbered Cash, Beginning	<u>747,415</u>	<u>686,605</u>		
Unencumbered Cash, Ending	<u>\$ 686,605</u>	<u>\$ 712,084</u>		

CITY OF LINDSBORG, KANSAS
SPECIAL REVENUE FUND - ECONOMIC DEVELOPMENT 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)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
County economic development funds	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Contractual	-	-	-	-
Commodities	-	-	-	-
Continuing education	-	-	-	-
Transfer out - Close to Industrial Development	-	-	-	-
Total Expenditures	-	-	\$ -	\$ -
Receipts Under Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ -		

CITY OF LINDSBORG, KANSAS
SPECIAL REVENUE FUND - SPECIAL LAW ENFORCEMENT TRUST
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 Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts:		
Forfeited Property Funds	\$ 554	\$ 72
Expenditures:		
Appropriate to Police Department	<u>2,207</u>	<u>-</u>
Receipts Under Expenditures	(1,653)	72
Unencumbered Cash, Beginning of Year	<u>1,653</u>	<u>-</u>
Unencumbered Cash, End of Year	<u><u>\$ -</u></u>	<u><u>\$ 72</u></u>

CITY OF LINDSBORG, KANSAS
SPECIAL REVENUE FUND - INDUSTRIAL DEVELOPMENT 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)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Ad Valorem Property Tax	\$ 43,711	\$ 49,926	\$ 51,051	\$ (1,125)
Back Tax Collections	294	800	150	650
MV, RV and Heavy Truck Tax	1,570	6,372	6,998	(626)
County Economic Development Funds	5,898	5,967	5,898	69
Transfer in - Close Economic Development	-	-	-	-
Total Cash Receipts	51,473	63,065	\$ 64,097	\$ (1,032)
Expenditures:				
Personal Services	22,441	28,418	\$ 36,000	\$ 7,582
Contractual	21,416	5,985	25,000	19,015
Commodities	746	467	5,000	4,533
Capital Outlay	1,242	-	-	-
Continuing Education	3,253	1,084	-	(1,084)
Total Expenditures	49,098	35,954	\$ 66,000	\$ 30,046
Receipts Over (Under) Expenditures	2,375	27,111		
Unencumbered Cash, Beginning of Year	9,228	11,603		
Unencumbered Cash, End of Year	\$ 11,603	\$ 38,714		

CITY OF LINDSBORG, KANSAS

SPECIAL REVENUE FUND - 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)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Ad Valorem Property Tax	\$ 37,885	\$ 39,992	\$ 40,889	\$ (897)
Back Tax Collections	582	1,026	750	276
MV, RV and Heavy Truck Tax	5,428	6,216	6,066	150
Total Cash Receipts	43,895	47,234	\$ 47,705	\$ (471)
Expenditures:				
Library Board	43,895	47,234	\$ 47,705	\$ 471
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ -		

CITY OF LINDSBORG, KANSAS
SPECIAL REVENUE FUND - 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)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Ad Valorem Property Tax	\$ 28,240	\$ 44,076	\$ 45,145	\$ (1,069)
Back Tax Collections	572	1,079	750	329
MV, RV and Heavy Truck Tax	5,702	4,908	4,523	385
Activity Fees	15,797	16,492	22,000	(5,508)
Concessions	177		500	(500)
Other	389	554	500	54
Total Cash Receipts	50,877	67,109	\$ 73,418	\$ (6,309)
Expenditures:				
Personal Services	33,092	36,384	\$ 50,000	\$ 13,616
Contractual	18,982	14,768	19,000	4,232
Commodities	9,310	11,049	10,000	(1,049)
Capital Outlay	1,212	-	-	-
Concessions	66	-	-	-
Continuing Education	485	458	-	(458)
Total Expenditures	63,147	62,659	\$ 79,000	\$ 16,341
Receipts Over Expenditures	(12,270)	4,450		
Unencumbered Cash, Beginning of Year	15,984	3,714		
Unencumbered Cash, End of Year	\$ 3,714	\$ 8,164		

CITY OF LINDSBORG, KANSAS
SPECIAL REVENUE FUND - 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)

	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
Cash Receipts:				
Liquor Tax	\$ 4,372	\$ 7,355	\$ 5,175	\$ 2,180
Expenditures:				
Contractual	-	-	1,000	1,000
Commodities	-	-	1,000	1,000
Capital Outlay	-	-	32,705	32,705
Total Expenditures	-	-	\$ 34,705	\$ 34,705
Receipts Over Expenditures	4,372	7,355		
Unencumbered Cash, Beginning	<u>24,355</u>	<u>28,727</u>		
Unencumbered Cash, Ending	<u>\$ 28,727</u>	<u>\$ 36,082</u>		

**CITY OF LINDSBORG, KANSAS
SPECIAL REVENUE FUND - SPECIAL STREETS 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)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
State of Kansas - Fuel Tax	\$ 96,879	\$ 94,165	99,980	\$ (5,815)
Reimbursed Expenses	8,643	1,169	-	1,169
KDOT Grant	-	-	-	-
Total Cash Receipts	<u>105,522</u>	<u>95,334</u>	<u>\$ 99,980</u>	<u>\$ (4,646)</u>
Expenditures:				
Contractual	121,585	34,172	117,523	83,351
Transfers Capital Projects Streets	-	114,000	-	(114,000)
Commodities	7,490	5,720	50,000	44,280
Total Expenditures	<u>129,075</u>	<u>153,892</u>	<u>\$ 167,523</u>	<u>\$ 13,631</u>
Receipts Over (Under) Expenditures	(23,553)	(58,558)		
Unencumbered Cash, Beginning	<u>184,531</u>	<u>160,978</u>		
Unencumbered Cash, Ending	<u>\$ 160,978</u>	<u>\$ 102,420</u>		

CITY OF LINDSBORG, KANSAS
SPECIAL REVENUE FUND - TOURISM PROMOTION 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)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Transient Guest Tax	\$ 19,052	\$ 23,115	\$ 25,000	\$ (1,885)
Expenditures:				
Contractual	16,796	19,561	\$ 20,000	\$ 439
Commodities	90	1,194	5,000	3,806
Total Expenditures	16,886	20,755	\$ 25,000	\$ 4,245
Receipts Over Expenditures	2,166	2,360		
Unencumbered Cash, Beginning	777	2,943		
Unencumbered Cash, Ending	\$ 2,943	\$ 5,303		

CITY OF LINDSBORG, KANSAS
SPECIAL REVENUE FUND - MUNICIPAL GOLF COURSE

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)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Ad Valorem Property Tax	\$ -	\$ 18,501	\$ 18,950	\$ (449)
Back Tax Collections	-	-	-	-
MV, RV and Heavy Truck Tax	-	-	-	-
Activity Fees	-	105,500	104,050	1,450
Concessions	-	10,008	12,000	(1,992)
Other	-	3,968	1,000	2,968
Total Cash Receipts	-	137,977	\$ 136,000	\$ 1,977
Expenditures:				
Personal Services	-	43,563	\$ 90,000	\$ 46,437
Contractual	-	16,388	31,000	14,612
Commodities	-	33,433	5,000	(28,433)
Capital Outlay	-	-	-	-
Concessions	-	6,141	-	(6,141)
Other Expenss	-	7,919	-	(7,919)
Total Expenditures	-	107,444	\$ 126,000	\$ 18,556
Receipts Over Expenditures	-	30,533		
Unencumbered Cash, Beginning of Year	-	-		
Unencumbered Cash, End of Year	\$ -	\$ 30,533		

CITY OF LINDSBORG, KANSAS
DEBT SERVICE FUND - 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, 2008)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Ad Valorem Property Tax	\$ 115,846	\$ 120,860	\$ 123,581	\$ (2,721)
Back Tax Collections	1,956	3,340	2,000	1,340
MV, RV and Heavy Truck Tax	19,173	19,493	2,256	17,237
Sales and Compensating Tax - City	125,596	138,489	115,000	(95,507)
Special Assessments	47,381	22,074	15,517	6,557
Interest income	14,128	7,411	7,500	(89)
	<u>324,080</u>	<u>311,667</u>	<u>\$ 265,854</u>	<u>\$ (73,183)</u>
Total Cash Receipts				
Expenditures:				
Principal	220,000	200,000	200,000	-
Interest	64,545	56,485	56,485	-
Commission and Postage	7	1	50	49
	<u>284,552</u>	<u>256,486</u>	<u>\$ 256,535</u>	<u>\$ 49</u>
Total Expenditures				
Receipts Over Expenditures	39,528	55,181		
Unencumbered Cash, Beginning	<u>181,713</u>	<u>221,241</u>		
Unencumbered Cash, Ending	<u>\$ 221,241</u>	<u>\$ 276,422</u>		

**CITY OF LINDSBORG, KANSAS
CAPITAL PROJECT FUND - STREET**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2008**

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts:		
KDOT Grant	\$ -	\$ -
Transfer from Special Street	-	114,000
Transfer from Electric Fund	-	-
	<u>-</u>	<u>-</u>
Total Cash Receipts	-	114,000
Expenditures:		
Capital Outlay	-	114,000
	<u>-</u>	<u>114,000</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

CITY OF LINDSBORG, KANSAS
CAPITAL PROJECT FUND - CAPITAL IMPROVEMENT RESERVE

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, 2008)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts:		
Transfer from General Fund	\$ 5,000	\$ 146
Expenditures:		
Capital Outlay	<u>18,408</u>	<u>30,357</u>
Receipts Under Expenditures	(13,408)	(30,211)
Unencumbered Cash, Beginning	<u>43,619</u>	<u>30,211</u>
Unencumbered Cash, Ending	<u><u>\$ 30,211</u></u>	<u><u>\$ -</u></u>

CITY OF LINDSBORG, KANSAS
CAPITAL PROJECT FUND - MUNICIPAL EQUIPMENT RESERVE

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 Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts:		
Transfer from General Fund	\$ -	\$ -
Expenditures:		
Capital Outlay	<u>6,408</u>	<u>26,989</u>
Receipts Over (Under) Expenditures	(6,408)	(26,989)
Unencumbered Cash, Beginning	<u>47,637</u>	<u>41,229</u>
Unencumbered Cash, Ending	<u>\$ 41,229</u>	<u>\$ 14,240</u>

**CITY OF LINDSBORG, KANSAS
CAPITAL PROJECT FUND - WASTE WATER TREATMENT**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2008**

	Prior Year Actual	Current Year Actual
Cash Receipts:		
KDOT Grant	\$ -	\$ -
Transfer from Sewer Fund	-	282,422
Transfer from Electric Fund	-	-
	-	-
Total Cash Receipts	-	282,422
Expenditures:		
Capital Outlay	-	282,422
	-	282,422
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ -

CITY OF LINDSBORG, KANSAS
ENTERPRISE FUND - 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)

	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
Cash Receipts:				
Charges for Services	\$ 2,295,987	\$ 2,454,652	\$ 2,450,000	\$ 4,652
Penalties	17,034	16,430	12,500	3,930
Sales Tax	49,230	54,205	53,000	1,205
Other	24,843	24,996	15,000	9,996
	<u>2,387,094</u>	<u>2,550,283</u>	<u>\$ 2,530,500</u>	<u>\$ 19,783</u>
Total Cash Receipts				
Expenditures:				
Production -				
Purchased Power	1,511,052	1,495,444	\$ 1,600,000	\$ 104,556
Distribution -				
Personal Services	296,090	328,041	376,000	47,959
Contractual	54,985	57,974	140,000	82,026
Commodities	51,732	90,413	85,000	(5,413)
Capital Outlay	339,911	2,440	325,917	323,477
Continuing Education	1,621	1,116	-	(1,116)
General Administration -				
Personal Services	202,552	214,455	226,000	11,545
Contractual	16,135	44,730	25,000	(19,730)
Commodities	6,443	7,765	9,800	2,035
Capital Outlay	5,638	-	5,000	5,000
Continuing Education	789	1,094	-	(1,094)
Sales Tax	57,160	62,944	67,000	4,056
Interest and Commissions	980	1,203	1,500	297
	<u>2,545,088</u>	<u>2,307,619</u>	<u>\$ 2,861,217</u>	<u>\$ 553,598</u>
Total Expenditures				
Receipts Under Expenditures	(157,994)	242,664		
Unencumbered Cash, Beginning	<u>2,002,517</u>	<u>1,844,523</u>		
Unencumbered Cash, Ending	<u>\$ 1,844,523</u>	<u>\$ 2,087,187</u>		

CITY OF LINDSBORG, KANSAS
ENTERPRISE FUND - 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)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Charges for services	\$ 406,301	\$ 379,186	\$ 410,000	\$ (30,814)
Penalties	3,460	3,115	3,000	115
Water Protection Fee	3,616	3,296	10,000	(6,704)
Other	1,603	4,444	-	4,444
Total Cash Receipts	414,980	390,041	\$ 423,000	\$ (32,959)
Expenditures:				
Personal services	125,865	144,381	\$ 152,000	\$ 7,619
Contractual	38,127	48,288	45,000	(3,288)
Commodities	85,103	94,578	90,000	(4,578)
Continuing Education	1,289	1,260	-	(1,260)
Capital Outlay	16,261	50,019	501,022	451,003
Water Protection Fee	6,986	6,292	-	(6,292)
Debt Service - Principal	105,000	115,000	115,000	-
Debt Service - Interest	25,743	20,175	20,175	-
Total Expenditures	404,374	479,993	\$ 923,197	\$ 443,204
Receipts Over Expenditures	10,606	(89,952)		
Unencumbered Cash, Beginning	1,434,299	1,444,905		
Unencumbered Cash, Ending	\$ 1,444,905	\$ 1,354,953		

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

**CITY OF LINDSBORG, KANSAS
ENTERPRISE FUND - 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)**

	Prior Year Actual	Actual	Budget	Variance- Favorable (Unfavorable)
Cash Receipts:				
Charges for services	\$ 336,407	\$ 354,692	\$ 295,000	\$ 59,692
Penalties	3,175	3,265	2,000	1,265
Other	2,140	1,451	500	951
Total Cash Receipts	341,722	359,408	\$ 297,500	\$ 61,908
Expenditures:				
Personal services	93,489	99,858	\$ 105,000	\$ 5,142
Contractual	73,406	41,027	40,000	(1,027)
Commodities	15,942	16,578	25,000	8,422
Continuing Education	487	1,095	-	(1,095)
Capital Outlay	28,262	41,179	67,311	26,132
Transfer Waste Water Treatment Capital projects	-	282,422	-	(282,422)
Debt Service - Principal	66,379	68,763	68,763	-
Debt Service - Interest and Service Fee	25,183	22,799	22,799	-
Total Expenditures	303,148	573,721	\$ 328,873	\$ (244,848)
Receipts Over (Under) Expenditures	38,574	(214,313)		
Unencumbered Cash, Beginning	732,898	771,472		
Unencumbered Cash, Ending	\$ 771,472	\$ 557,159		

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

**CITY OF LINDSBORG, KANSAS
ENTERPRISE FUND - AMBULANCE 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)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Charges for services	\$ 68,926	\$ 74,363	\$ 75,000	\$ (637)
County Reimbursements	79,724	79,724	79,724	-
Other	2,715	5,389	350	5,039
Total Cash Receipts	151,365	159,476	\$ 155,074	\$ 4,402
Expenditures:				
Personal services	96,868	99,344	\$ 100,000	\$ 656
Contractual	25,162	26,445	35,000	8,555
Commodities	12,991	13,660	15,000	1,340
Continuing Education	3,471	5,831	-	(5,831)
Capital Outlay	115,620	3,130	254,662	251,532
Other	61	766	-	(766)
Total Expenditures	254,173	149,176	\$ 404,662	\$ 255,486
Receipts Over (Under) Expenditures	(102,808)	10,300		
Unencumbered Cash, Beginning	339,593	236,785		
Unencumbered Cash, Ending	\$ 236,785	\$ 247,085		

CITY OF LINDSBORG, KANSAS
ENTERPRISE FUND - SOLID WASTE 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)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Charges for services	\$ 167,486	\$ 199,239	\$ 198,000	\$ 1,239
Penalties	1,834	2,002	1,500	502
Other	6	8	-	8
Total Cash Receipts	<u>169,326</u>	<u>201,249</u>	<u>\$ 199,500</u>	<u>\$ 1,749</u>
Expenditures:				
Contractual	134,367	143,518	145,000	1,482
Commodities	480	5,916	13,111	7,195
Capital Outlay	-	77,832	150,000	72,168
Transfer to General Fund	11,400	11,700	11,700	-
Total Expenditures	<u>146,247</u>	<u>238,966</u>	<u>\$ 319,811</u>	<u>\$ 80,845</u>
Receipts Over Expenditures	23,079	(37,717)		
Unencumbered Cash, Beginning	<u>173,206</u>	<u>196,285</u>		
Unencumbered Cash, Ending	<u>\$ 196,285</u>	<u>\$ 158,568</u>		

**CITY OF LINDSBORG, KANSAS
DISCRETELY PRESENTED COMPONENT UNITS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2008**

	Elmwood Cemetery	Library
Cash Receipts:		
City of Lindsborg	\$ 5,000	\$ 47,234
Smoky Hill Township	3,000	-
Lindsborg Community Fund	-	1,000
Bookstore Sales	-	3,741
Lot Sales	3,875	-
South Central Kansas Library System	-	3,531
State of Kansas	104	9,935
Donations	325	13,255
Interest	1,197	1,322
Miscellaneous	525	4,911
	14,026	84,929
 Expenditures:		
Personal Services	8,400	24,424
Books, Subscriptions, DVDs and CDs	-	6,753
Postage	-	1,492
Utilities	148	7,854
Insurance	581	2,520
Repairs and Maintenance	590	3,508
Furnishings and Equipment	11,534	8,836
Supplies	4,981	581
Taxes	651	3,604
Miscellaneous	537	1,096
	27,422	60,668
 Receipts Over (Under) Expenditures	(13,396)	24,261
 Unencumbered Cash, Beginning	43,738	37,253
 Unencumbered Cash, Ending	\$ 30,342	\$ 61,514

CITY OF LINDSBORG, KANSAS
AGENCY FUNDSSTATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2008

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Utility Security Deposit Fund	\$ <u>16,313</u>	\$ <u>10,311</u>	\$ <u>9,348</u>	\$ <u>17,276</u>

CITY OF LINDSBORG, KANSAS

STATEMENT OF CHANGES IN LONG-TERM DEBT
For the Year Ended December 31, 2008

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligations Bonds:										
Series 2000-Hospital	5.20% to 5.80%	03/21/2000	\$ 1,171,000	10/01/2020	\$ 900,000	\$ -	\$ 50,000	\$ (50,000)	\$ 850,000	\$ 50,373
Series 2003-Refunding	2.80%	04/17/2003	805,000	10/01/2008	135,000	-	135,000	(135,000)	-	3,780
Series 2001-Peterson Estates	3.75% to 4.00%	11/01/2001	130,000	10/01/2011	60,000	-	15,000	(15,000)	45,000	2,333
Revenue Bonds:										
Series 1995	5.45% to 5.75%	10/01/1995	1,350,000	10/01/2008	360,000	-	115,000	(115,000)	245,000	20,178
Note Payable:										
KDHE	3.31%	11/15/1995	1,149,629	03/01/2016	657,467	-	68,763	(68,763)	588,704	22,799
Total Bonded Indebtedness					2,112,467	-	383,763	(383,763)	1,728,704	99,463
Compensated Absences	N/A	N/A	N/A	N/A	59,142	-	10,350	(10,350)	48,792	-
Total Long-Term Debt					\$ 2,171,609	\$ -	\$ 394,113	\$ (394,113)	\$ 1,777,496	\$ 99,463

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

CITY OF LINDSBORG, KANSAS

SCHEDULE OF MATURITY OF LONG-TERM DEBT
For the Year Ended December 31, 2008

	YEAR							Total
	2009	2010	2011	2012	2013	2014-2018	2019-2020	
PRINCIPAL								
General Obligation Bonds:								
Series 2000 - Sales Tax	\$ 50,000	\$ 55,000	\$ 55,000	\$ 60,000	\$ 65,000	\$ 380,000	\$ 185,000	\$ 850,000
Special Assessment Bonds:								
Series 2001 - Special Assessments	15,000	15,000	15,000	-	-	-	-	45,000
Revenue Bonds:								
Series 1995 - Water Revenues	120,000	125,000	-	-	-	-	-	245,000
Note Payable:								
KDHE - Sewer Revenues	69,789	72,296	74,892	77,582	80,369	213,776	-	588,704
TOTAL PRINCIPAL	254,789	267,296	144,892	137,582	145,369	593,776	185,000	1,728,704
INTEREST								
General Obligation Bonds:								
Series 2000 - Sales Tax	47,622	45,023	42,135	39,220	35,980	121,265	16,240	347,485
Special Assessment Bonds:								
Series 2001 - Special Assessments	1,770	1,192	600	-	-	-	-	3,562
Revenue Bonds:								
Series 1995 - Water Revenues	13,907	7,188	-	-	-	-	-	21,095
Note Payable:								
KDHE - Sewer Revenues	20,342	17,836	15,239	12,549	9,763	11,550	-	87,279
TOTAL INTEREST	130,442	115,468	99,459	83,629	45,743	132,815	16,240	459,421
TOTAL PRINCIPAL AND INTEREST	\$ 514,520	\$ 506,847	\$ 483,222	\$ 339,862	\$ 191,112	\$ 726,591	\$ 201,240	\$ 2,188,125

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

CITY OF LINDSBORG, KANSAS

NOTES TO SPECIAL FINANCIAL STATEMENTS

December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Reporting Entity

The City of Lindsborg is a municipal corporation governed by an elected mayor and elected eight-member council. These financial statements present the City of Lindsborg (the primary government) and some of its component units. The component units are included in the city's reporting entity because of the significance of their operational or financial relationships with the city.

Discretely Presented 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.

Library Board - The City of Lindsborg Library Board operates the city's public library. Acquisition or disposition of real property by the board must be approved by the city. Bond issuances must also be approved by the city. The governing body is appointed by the city.

Elmwood Cemetery - The city is liable for actions of the Elmwood Cemetery Board. The governing body is appointed by the city.

Housing Authority - This component unit is not included in the reporting entity. The city does not provide funding, establish budgets, nor exercise any influence over the daily operations of the authority. The governing body is appointed by the city.

Fireman's Relief Association - The Association is not a component unit because the city exercises no oversight responsibility and has no accountability for its fiscal matters. The Firemen's Relief Association provides insurance and other benefits to firemen. The association's board consists of firefighters elected by popular vote. Kansas statutes provide for funding.

(b) Basis of Presentation - 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 separately. Funds are classified into three categories: governmental, proprietary and fiduciary. Within each of these three categories there are one or more fund types. The city used the following fund types:

Governmental Fund Types

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Operating Fund - This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources other than special assessments expendable trusts or major capital projects that are legally restricted to expenditures for specified purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(b) Basis of Presentation - Fund Accounting (cont.)

Debt Service Funds - These funds are established for the purpose of accumulating resources for the payment of interest and principal on long-term general obligation debt other than those payable from Enterprise Funds and Special Assessment Funds.

Capital Project Funds - These funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary and Trust funds.

Proprietary Fund Types

These funds account for operations that are self-supporting through user charges. The funds included in this category are Enterprise Funds and Internal Service Funds.

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent 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.

Internal service Funds - These funds are established to account for the financing of goods or services provided by one department or other departments of the City on a mostly cost-reimbursement basis.

Fiduciary Fund Types

These funds account for assets held by the City as a trustee or agent for individuals, private organizations and other units of governments. These funds are as follows:

Expendable Trust Funds - These funds are used to account for funds that are to be used for expenditures incurred by City employees and for funds held in escrow for other parties.

Agency Funds - These funds are used to account for assets received for, held for, and disbursed to individuals, other State and Local Government unit funds or other governmental or private sector organizations.

(c) Basis of Accounting

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

The municipality 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(d) Departure from Generally Accepted Accounting Principles

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 expenses, 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. General fixed assets that account for the land, building and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

(e) Budget and Tax Cycle

Kansas statutes require that an annual operating budget be legally adopted for the General Operating 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 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.

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

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

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

A legal operating budget is not required for Capital Project Funds and Agency 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.

(f) Special Assessments

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

The city does not have a contract with the Lindsborg Housing Authority in regard to the payments made in lieu of taxes on the streets. This is a violation of K.S.A. 12-147.

The city did not make this payment to the County Treasurer who then is to apportion it to the proper funds. This is a violation of K.S.A. 12-148.

Expenditures in the Sewer Utility Fund exceeded the adopted budget by \$244,848 in 2008. This is a violation of K.S.A. 79-2935.

3. CASH AND INVESTMENTS

(a) Deposits

At December 31, 2008, the carrying amount of the City's deposits, including certificates of deposit, was \$6,110,263. The bank balance was \$6,081,599. The difference between the carrying amount and the bank balance is checks outstanding and deposits in transit. Of the bank balance \$500,000 was covered by FDIC insurance and the remaining \$5,581,599 was collateralized by pledged securities held under safekeeping receipts issued by a third-party bank in the bank's name with the City listed as pledgee and deposit surety bonds.

(b) Investments

Kansas statutes authorize the City to invest in U.S. Treasury Bills and Notes, repurchase agreements, and the Kansas Municipal Investment Pool. All investments must be insured, registered, or held by the City or its agent in the City's name. The Kansas Municipal Investment Pool is not subject to the risk category classifications.

	<u>Carrying Amount</u>	<u>Market Value</u>
Kansas Municipal Investment Pool	<u>\$ 302,363</u>	<u>\$ 302,363</u>

4. PENSION COSTS AND EMPLOYEE BENEFITS

(a) Defined Benefit Pension 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. That report may be obtained by writing to KPERS (400 SW 8th Avenue, Suite 200; Topeka, KS 66603-3925) or by calling 1-800-228-0366.

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 basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2008 is 5.93%. The City employer contributions to KPERS for the years ending December 31, 2008, 2007, and 2006 were \$71,003, \$62,167 and \$47,618, respectively, equal to the statutory required contributions for each year.

(b) Other Employee Benefits

Vacation – Upon the completion of six (6) months employment, a full-time employee shall be credited with three (3) vacation leave days. From that point on, vacation leave accrual is as follows:

<u>Length of Employment</u>	<u>Rate of Accrual</u>	<u>Maximum Accumulation</u>
0 - 6 Months	0	24 hrs/03 days
7 - 12 Months	4hr./mo.	48 hrs/06 days
1 - 5 Years	8hr./mo.	120 hrs/15 days
6 - 10 Years	10 hr./mo.	140 hrs/17.5 days
11 - 20 Years	12 hr./mo.	160 hrs/20 days
over 20 Years	12 hr./mo.	200 hrs/25 days

4. PENSION COSTS AND EMPLOYEE BENEFITS (cont.)

(b) Other Employee Benefits (cont.)

Vacation (cont.) – An employee on regular status, who has been continuously employed for at least six months and resigns, will be compensated for accumulated vacation leave up to the maximum allowable accumulation. The accumulated vacation at December 31, 2008 and 2007 was \$48,792 and \$59,142, respectively. This amount is reflected in the Statement of Changes in Long-Term Debt.

Sick leave - All regular and salaried full-time employees shall be granted paid sick leave for the following reasons: Personal illness or physical incapacity; forced quarantine of the employee in accordance with community health regulations, directives or orders; a doctor's or dentist's appointment if an appointment cannot be scheduled other than during work time; serious illness in the immediate family which requires the employee to be at home.

Amount of sick leave – Each regular or salaried full-time employee shall be given sick leave credit at the rate of one working day per month.

Accumulation of sick leave - Sick leave may be accumulated up to a maximum of sixty (60) working days for regular and salaried full-time employees only. Upon termination of employment of any regular or salaried full-time employee, the unused credit thereof for such leave automatically will be cancelled, without any pay therefore to the employee.

5. CLAIMS AND JUDGMENTS

The City is exposed to various risks of loss related to property loss, torts, and errors and omissions. The City has purchased commercial insurance for these potential risks. There has been no significant reductions in insurance coverage in 2007 and there were no settlements that exceeded insurance coverage in 2007.

During the ordinary course of its operations the City is a party to various claims, legal actions and complaints. It is of the opinion of the City's management and legal counsel that these matters are not anticipated to have a material impact on the City.

6. INTERFUND TRANSFERS

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Solid Waste Fund	General Fund	K.S.A. 12-197	11,700

7. FUND EQUITY

Reserves of proprietary funds are created by increases in assets restricted for debt service and renewals and replacements. These increases result from earnings on restricted assets and other interfund transfers to restricted accounts.

The 1995 Electric and Waterworks System Revenue Bonds ordinance requires that certain restricted funds be established to ensure payment of bonds and interest and to enable the City to meet future needs arising from unusual maintenance requirements or income shortfalls. The ordinance also requires the City, among other things, to establish rates adequate to produce Net Revenues (Gross revenues less current expenses before depreciation) in an amount that will not be less than 125% of the Debt Service Requirements to be paid in such fiscal year on all System revenue bonds at the time outstanding. The revenues of the Electric and Water Departments are pledged under the terms of the ordinance. The City was in compliance with the above requirements of the revenue ordinance at December 31, 2008.

8. COMMITMENTS AND CONTINGENCIES

On April 1, 2009 fifteen year Electric System Revenue Bonds were issued in the amount of \$1,310,000 at an interest rate of 4.687% per annum. Proceeds from the bonds are to fund the final phases of the electric system upgrade.

During 2009, funding for the \$5.3 million Waste Water Treatment System Upgrade was secured. The funding is to be in the form of a Stag and Tribal Assistance Grant from the State of Kansas (\$500,000), the American Recovery & Reinvestment Act Grant (\$3,200,000) and the Clean Water Revolving Loan Fund (\$3,200,000). Bids for the project will be let during August, 2009.

CITY OF LINDSBORG, KANSAS

**FINANCIAL STATEMENTS
ENTERPRISE FUNDS**

DECEMBER 31, 2008 and 2007

**David A O'Dell CPA LLC
Certified Public Accountant
McPherson, Kansas 67460**

CITY OF LINDSBORG, KANSAS
FINANCIAL STATEMENTS
ENTERPRISE FUNDS

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Lindsborg
Lindsborg, Kansas

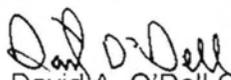
I have audited the accompanying combining financial statements of the Electric, Water, Sewer, Solid Waste and Ambulance Funds (Enterprise Funds) of the City of Lindsborg, Kansas, as of December 31, 2008 and 2007 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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. I believe that my audits provide a reasonable basis for my opinion.

The financial statements presented are only for the funds referred to above and are not intended to present fairly the financial position for the City of Lindsborg, Kansas, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Enterprise Funds of the City of Lindsborg, Kansas, as of December 31, 2008 and 2007 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audits were conducted for the purpose of forming an opinion on the combining financial statements of the Electric, Water, Sewer, Solid Waste and Ambulance Funds (Enterprise Funds). The schedules listed under supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the combining financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combining financial statements and, in my opinion, is fairly presented in all material respects in relation to the combining financial statements taken as a whole.


David A. O'Dell CPA, LLC

August 31, 2009
McPherson, Kansas

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF THE KANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LINDSBORG, KANSAS
 COMBINING BALANCE SHEET - ALL PROPRIETARY FUND TYPES
 December 31, 2008
 (With Comparative Totals for December 31, 2007)

ASSETS	Electric	Water	Sewer	Solid Waste	Ambulance	Totals	
						December 31, 2008	December 31, 2007
CURRENT ASSETS:							
Cash and Investments	\$ 937,445	\$ 461,013	\$ 183,373	\$ 132,370	\$ 264,741	\$ 1,978,942	\$ 2,003,744
Accounts Receivable	118,559	17,677	23,319	10,758	18,660	188,973	239,728
Allowance for Doubtful Accounts	(10,000)				(1,550)	(11,550)	(11,550)
Prepaid Expense	4,134	1,693	1,963	47	2,405	10,242	9,256
Total Current Assets	1,050,138	480,383	208,655	143,175	284,256	2,166,607	2,241,178
RESTRICTED ASSETS:							
Cash and Investments							
Customer Deposits	17,276	-	-	-	-	17,276	16,313
Replacement Reserve	1,300,000	750,000	385,628	40,000	-	2,475,628	2,595,050
Revenue Bond Reserves	-	168,477	-	-	-	168,477	168,794
Total Restricted Assets	1,317,276	918,477	385,628	40,000	-	2,661,381	2,780,157
PROPERTY, PLANT AND EQUIPMENT:							
Land	13,444	28,881	38,142	-	-	80,467	80,467
Buildings and Equipment	6,276,939	3,496,981	4,861,121	157,113	414,254	15,206,408	14,668,507
Accumulated Depreciation	(3,090,254)	(1,032,117)	(1,838,908)	(80,850)	(254,207)	(6,296,336)	(6,000,299)
Net Property, Plant and Equipment	3,200,129	2,493,745	3,060,355	76,263	160,047	8,990,539	8,748,675
OTHER ASSETS:							
Economic Development Property	250,564	-	-	-	-	250,564	250,564
Investment in KMEA	14,653	-	-	-	-	14,653	14,653
Unamortized Bond Issuance Costs	-	5,283	-	-	-	5,283	7,762
Total Other Assets	265,217	5,283	-	-	-	270,500	272,979
Total Assets	\$ 5,832,760	\$ 3,897,888	\$ 3,654,638	\$ 259,438	\$ 444,303	\$ 14,089,027	\$ 14,042,989

The accompanying notes are an integral part of these financial statements.

CITY OF LINDSBORG, KANSAS
 COMBINING BALANCE SHEET - ALL PROPRIETARY FUND TYPES
 (Continued)
 December 31, 2008
 (With Comparative Totals for December 31, 2008)

LIABILITIES AND FUND EQUITY	Electric	Water	Sewer	Solid Waste	Ambulance	Totals	
						December 31, 2008	December 31, 2007
CURRENT LIABILITIES:							
Revenue Bonds Payable, Current Portion	\$ -	\$ 120,000	\$ -	\$ -	\$ -	\$ 120,000	\$ 115,000
Note Payable - KDHE, Current Portion	-	-	69,789	-	-	69,789	68,763
Accounts Payable	91,678	4,031	6,546	12,799	4,334	119,388	113,020
Accrued Liabilities	30,732	4,720	10,502	-	12,279	58,233	52,076
Payable from Restricted Assets:	-	-	-	-	-	-	-
Customer Deposits	17,275	5,151	-	-	-	22,426	16,313
Total Current Liabilities	139,685	133,902	86,837	12,799	16,613	389,836	365,172
LONG-TERM LIABILITIES:							
Loan Payable - KDHE (Net of Current Portion)	-	-	518,915	-	-	518,915	588,704
Deferred Income-RWD#6 Connect Fee	-	37,407	-	-	-	37,407	39,350
Revenue Bonds (Net of Current Portion)	-	125,000	-	-	-	125,000	245,000
Total Long-term Liabilities	-	162,407	518,915	-	-	681,322	873,054
Total Liabilities	139,685	296,309	605,752	12,799	16,613	1,071,158	1,238,226
FUND EQUITY:							
Contributed Capital	68,701	633,336	1,855,823	-	124,260	2,682,120	2,682,120
Retained Earnings:							
Reserved:							
Revenue Bond Retirement	-	32,685	-	-	-	32,685	33,794
Contingencies	-	135,000	-	-	-	135,000	135,000
Replacement	1,300,000	750,000	385,628	40,000	-	2,475,628	2,595,050
Unreserved:							
Designated for Encumbrances	26,550	14,103	1,042	1,002	1,043	43,740	121,389
Undesignated	4,297,824	2,036,455	806,393	205,637	302,387	7,648,696	7,237,410
Total Retained Earnings	5,624,374	2,968,243	1,193,063	246,639	303,430	10,335,749	10,122,643
Total Fund Equity	5,693,075	3,601,579	3,048,886	246,639	427,690	13,017,869	12,804,763
Total Liabilities and Fund Equity	\$ 5,832,760	\$ 3,897,888	\$ 3,654,638	\$ 259,438	\$ 444,303	\$ 14,089,027	\$ 14,042,989

The accompanying notes are an integral part of these financial statements.

CITY OF LINDSBORG, KANSAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
 For the Year Ended December 31, 2008
 (With Comparative Totals for the Prior Year Ended December 31, 2007)

	Electric	Water	Sewer	Solid Waste	Ambulance	Totals	
						December 31, 2008	December 31, 2007
OPERATING REVENUES:							
Charges for Services	\$ 2,492,245	\$ 372,133	\$ 354,172	\$ 200,043	\$ 73,088	\$ 3,491,681	\$ 3,240,523
County Reimbursements	20,793	3,724	1,133	9	85,112	110,771	79,724
Other	4,203	4,016	318	-	125	8,662	96,033
Total Operating Revenues	2,517,241	379,873	355,623	200,052	158,325	3,611,114	3,416,280
OPERATING EXPENSES:							
Personal Services	542,494	144,381	99,858	-	99,343	886,076	814,863
Contractual Services	1,634,582	24,849	44,296	142,469	38,003	1,884,199	1,857,383
Commodities	100,388	118,575	16,578	5,917	13,660	255,118	183,843
Depreciation	126,597	59,779	100,057	2,731	30,622	319,786	307,578
Total Operating Expenses	2,404,061	347,584	260,789	151,117	181,628	3,345,179	3,163,667
OPERATING INCOME (LOSS)	113,180	32,289	94,834	48,935	(23,303)	265,935	252,613
NONOPERATING REVENUE (EXPENSE):							
Amortization of RWD#6 Connect Fee	-	1,943	-	-	-	1,943	1,943
Interest and Fiscal Expense	(768)	(18,599)	(21,223)	-	-	(40,590)	(49,725)
Amortization of Bond Issuance Costs	-	(2,482)	-	-	-	(2,482)	(2,264)
Total Nonoperating Expense	(768)	(19,138)	(21,223)	-	-	(41,129)	(50,046)
INCOME (LOSS) BEFORE TRANSFERS	112,412	13,151	73,611	48,935	(23,303)	224,806	202,567
OPERATING TRANSFERS OUT	-	-	-	(11,700)	-	(11,700)	(11,400)
NET INCOME (LOSS)	112,412	13,151	73,611	37,235	(23,303)	213,106	191,167
RETAINED EARNINGS, JANUARY 1	5,511,962	2,955,092	1,119,452	209,404	326,733	10,122,643	9,931,476
RETAINED EARNINGS, DECEMBER 31	\$ 5,624,374	\$ 2,968,243	\$ 1,193,063	\$ 246,639	\$ 303,430	\$ 10,335,749	\$ 10,122,643

The accompanying notes are an integral part of these financial statements.

CITY OF LINDSBORG, KANSAS
 COMBINING STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
 For the Year Ended December 31, 2008
 (With Comparative Totals for Prior Year Ended December 31, 2007)

	Electric	Water	Sewer	Solid Waste	Ambulance	Totals	
						December 31, 2008	December 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:							
Net Income (Loss)	\$ 112,412	\$ 13,151	\$ 73,611	\$ 37,235	\$ (23,303)	\$ 213,106	\$ 191,167
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:							
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:							
Depreciation and amortization	126,597	60,315	100,058	2,731	30,622	320,323	307,899
Changes in Assets and Liabilities:							
Accounts Receivable	34,342	10,169	3,785	1,198	1,261	50,755	(4,638)
Prepaid Expenses	(398)	(50)	(53)	(47)	(438)	(986)	(174)
Accounts Payable	3	(1,712)	4,820	1,552	1,705	6,368	(9,994)
Accrued Liabilities	11,453	(3,874)	(68)	-	(1,354)	6,157	(5,990)
Customer Deposits	692	5,151	-	-	-	5,843	519
Net Cash Provided by Operating Activities	285,101	83,150	182,153	42,669	8,493	601,566	478,789
CASH FLOWS FROM INVESTING ACTIVITIES:							
	-	-	-	-	-	-	-
Net Cash Provided (Used) for Investing Activities	-	-	-	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:							
Acquisition and Construction of Capital Assets	(2,170)	(42,859)	(327,728)	(77,832)	(110,792)	(561,381)	(394,477)
Payments on Bonds and KDHE Loan	-	(115,000)	(68,763)	-	-	(183,763)	(171,379)
Net Cash Provided (Used) for Financing Activities	(2,170)	(157,859)	(396,491)	(77,832)	(110,792)	(745,144)	(565,856)
INCREASE (DECREASE) IN CASH	282,931	(74,709)	(214,338)	(35,163)	(102,299)	(143,578)	(87,067)
CASH BEGINNING OF YEAR	1,971,790	1,454,199	783,339	207,533	367,040	4,783,901	4,870,968
CASH END OF YEAR	\$ 2,254,721	\$ 1,379,490	\$ 569,001	\$ 172,370	\$ 264,741	\$ 4,640,323	\$ 4,783,901

The accompanying notes are an integral part of these financial statements.

**CITY OF LINDSBORG, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

1. SUMMARY OF ACCOUNTING POLICIES

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented after applying memorandum adjustments, where applicable, to record accrued revenue and expenses, property and equipment and related depreciation resulting in financial statements presented on an accrual basis of accounting.

A. Fund Description

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

The Electric, Water, Sewer and Solid Waste Departments are enterprise funds, which are used to account for operations that are financed and operated in a manner similar to private business enterprises--where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges--or where periodic determination of revenues earned, expenses incurred, and /or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. Basis of Accounting

The Electric, Water, Sewer and Solid Waste Funds are reported on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America for enterprise funds.

C. Budgets

Applicable Kansas statutes require that budgets legally adopted for all funds (including debt service and enterprise funds) unless exempted by a specific statute. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting - that is, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable are recorded as expenditures.

D. Utility Accounts Receivable

The City records electric and water revenues billed to its customer when meters are read on a monthly basis. Charges for sewage treatment and refuse services are billed monthly. It is not practicable to estimate unbilled service receivables at December 31, 2008 and further, the amounts thereof are not material in relationship to the financial statements taken as a whole. Allowance for doubtful accounts is \$11,550 for the years ended December 31, 2008 and 2007. Previous history has indicated minimal accounts uncollectible.

E. Inventories and Prepaid Expenses

Inventories in the enterprise funds of Lindsborg are not material in nature and have not been reflected in these statements.

**CITY OF LINDSBORG, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

F. Restricted Assets

Enterprise Funds, based on certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) to subsidize potential deficiencies from operations that could adversely affect debt service payments and to meet unexpected contingencies or to fund asset renewals and replacements. In addition, customer deposits are classified as restricted assets because they are limited to be used for repayment to the customer or to pay the customer's bill in case of nonpayment.

G. Fixed Assets

The City established fixed asset records for the Sewer, Water and Electric funds January 1, 1982. The cost of assets on hand, net of accumulated depreciation, as of December 31, 1981, was credited to contributed capital or retained earnings. These additions were based upon costs taken from old warrant registers, ordinances and minutes of the governing body of the City of Lindsborg.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of utility plant in service of enterprise funds (valued partially upon original cost and partially upon estimates of original cost) is provided on the straight-line method over the following estimated useful lives:

Buildings	40-50 years
Improvements other than buildings	20-30 years
Machinery, vehicles and equipment	5-10 years
Water and sewer mains	75 years
Water treatment and electric plant	40 years

H. Compensated Absences

Vacation – Upon the completion of six (6) months employment, a full-time employee shall be credited with three (3) vacation leave days. From that point on, vacation leave accrual is as follows:

<u>Length of Employment</u>	<u>Rate of Accrual</u>	<u>Maximum Accumulation</u>
0 - 6 Months	0	24 hrs/03 days
7 - 12 Months	4hr./mo.	48 hrs/06 days
1 - 5 Years	8hr./mo.	120 hrs/15 days
6 - 10 Years	10 hr./mo.	140 hrs/17.5 days
11 - 20 Years	12 hr./mo.	160 hrs/20 days
over 20 Years	12 hr./mo.	200 hrs/25 days

An employee on regular status, who has been continuously employed for at least six months and resigns, will be compensated for accumulated vacation leave up to the maximum allowable accumulation. The accumulated vacation at December 31, 2008 and 2007 was \$18,066 and \$17,169, respectively. This amount was considered immaterial and is not included in the financial statements.

Sick leave - All regular and salaried full-time employees shall be granted paid sick leave for the following reasons: Personal illness or physical incapacity; forced quarantine of the employee in accordance with community health regulations, directives or orders; a doctor's or dentist's appointment if an appointment cannot be scheduled other than during work time; serious illness in the immediate family which requires the employee to be at home.

Amount of sick leave – Each regular or salaried full-time employee shall be given sick leave credit at the rate of one working day per month.

CITY OF LINDSBORG, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

H. Compensated Absences (Continued)

Accumulation of sick leave - Sick leave may be accumulated up to a maximum of sixty (60) working days for regular and salaried full-time employees only. Upon termination of employment of any regular or salaried full-time employee, the unused credit thereof for such leave automatically will be cancelled, without any pay therefore to the employee. Accordingly, no provision for accumulated sick leave has been made in the accompanying financial statements.

I. Restricted Assets

Utility customer deposits are held as a restricted asset and shown as a liability on the balance sheet.

2. CASH AND INVESTMENTS

Deposits. At December 31, 2008 and 2007, the carrying amount of the City's Enterprise Funds deposits, including certificates of deposit, was \$4,640,323 and \$4,750,107. These balances were collateralized by pledged securities held under safekeeping receipts issued by a third-party bank in the bank's name with the City listed as pledgee.

Investments. Kansas statutes authorize the City to invest in U.S. Treasury Bills and Notes, repurchase agreements, and the Kansas Municipal Investment Pool. All investments must be insured, registered, or held by the City or its agent in the City's name. The Kansas Municipal Investment Pool is not subject to the risk category classifications. The carrying value and market value of the investment pool was \$33,477 and \$33,794 for the years ended 2008 and 2007, respectively.

3. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the General Operating 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 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.

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

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

**CITY OF LINDSBORG, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

3. BUDGETARY INFORMATION (Continued)

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

A legal operating budget is not required for Capital Project Funds and Agency 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.

4. LONG-TERM DEBT

Revenue Bonds payable at December 31, 2008 and 2007 is comprised of the following individual issue:

\$1,350,000 Series 1995 Electric and Waterworks System		
Bonds due in annual principal installments ranging from		
\$115,000 to \$125,000 through October 1, 2010.	<u>2008</u>	<u>2007</u>
Interest rate is variable from 5.45 to 5.75%.	<u>\$ 245,000</u>	<u>\$360,000</u>

Electric and Waterworks System Revenue Bonds constitute special obligations of the City solely secured by a lien and pledge of the net revenues of the electric and water systems.

Provisions of the bond ordinances make the following requirements for the Electric and Water Departments to assure profitable operation and timely repayment of debt:

- a. Establishment of rates adequate to produce Net Revenues (Gross operating revenues less current operating expenses (excluding depreciation)) in an amount that will not be less than 125% of the Debt Service Requirements required to be paid in such fiscal year on all System revenue bonds at the time outstanding. For 2008 and 2007, 125% of the debt service requirements would be \$168,969 and \$163,429, respectively, while defined net revenues per the financial statements was \$331,845 and \$337,146, respectively.
- b. Establishment of a principal and interest Account into which the City shall transfer proportionate monthly amounts of the next maturing interest amount and next maturing principal amount to the end that all times one (1) month prior to maturity of interest, principal, or mandatory call requirements, there shall be sufficient moneys in the account to transmit maturing interest and principal on the bonds to the paying agent for payment when due. The required transfers were made during 2008 and the balance in this account at December 31, 2008 and 2007 was \$33,477 and \$33,794, respectively.
- c. Establishment of a bond reserve account in an amount equal to the least of (i) 10% of the original principal of the Bonds and any Parity Bonds; (ii) the maximum annual debt service requirement for the Bonds and any Parity Bonds; or (iii) 125% of the average annual debt service requirements for the Bonds and any Parity Bonds. This account has been established and the balance in this account at December 31, 2008 and 2007 is \$135,000 and \$135,000, respectively.
- d. Establishment of a depreciation and replacement account in the amount of \$35,000 which shall be expended and used by the City for the purpose of making extraordinary maintenance and repairs and to keep the same in good repair and working order so that the system may continue in effective and efficient operation. This account has been established and the balance in this account at December 31, 2008 and 2007 is \$750,000 and \$675,000, respectively.
- e. Establishment of a surplus account, into which the City shall pay all moneys remaining in the revenue fund after all payments and credits required at the time to be made under the provisions of preceding subsections have been made. These funds may be used for any purpose within the system or to make lawful transfers to any fund of the City. No transfers have been made as of December 31, 2008 and 2007, respectively.

**CITY OF LINDSBORG, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007**

4. LONG-TERM DEBT (Continued)

The ordinance also contains provisions which, among other items, restrict the issuance of additional revenue bonds which are superior to the existing bonds, all payments required by the City on existing indebtedness of the System shall not be in default, all required transfers into the bond reserve account and depreciation and replacement account shall have been made and net revenues derived by the City from the operation of the system are to meet certain additional standards..

Note Payable at December 31, 2008 and 2007 is comprised of the following note:

Note payable to KDHE due in semi-annual installments of \$45,781 including interest at 3.56% through March 1, 2016.	<u>2008</u>	<u>2007</u>
	<u>\$588,704</u>	<u>\$657,467</u>

The note is collateralized by the revenue of the sewer system.

The annual aggregate maturities for the years subsequent to December 31, 2008 and 2007 are as follows:

	Revenue Bonds		Note Payable		Total Debt Service
	Principal	Interest	Principal	Interest	
2009	120,000	13,907	69,789	20,342	224,038
2010	125,000	7,188	72,296	17,836	222,320
2011	-	-	74,892	15,239	90,131
2012	-	-	77,582	12,549	90,131
2013	-	-	80,369	9,763	90,132
2014-2016	-	-	213,776	11,550	225,326
	<u>\$ 245,000</u>	<u>\$ 21,095</u>	<u>\$ 588,704</u>	<u>\$ 87,279</u>	<u>\$ 942,078</u>

5. INTERFUND TRANSFERS

From	To	Statutory Authority	Amount
2008 Solid Waste Fund	General Fund	K.S.A. 12-197	\$ 11,700
2007 Solid Waste Fund	General Fund	K.S.A 12-197	\$ 11,400

6. COMMITMENTS AND CONTINGENCIES

On April 1, 2009 fifteen year Electric System Revenue Bonds were issued in the amount of \$1,310,000 at an interest rate of 4.687% per annum. Proceeds from the bonds are to fund the final phases of the electric system upgrade.

During 2009, funding for the \$5.3 million Waste Water Treatment System Upgrade was secured. The funding is to be in the form of a Stag and Tribal Assistance Grant from the State of Kansas (\$500,000), the American Recovery & Reinvestment Act Grant (\$3,200,000) and the Clean Water Revolving Loan Fund (\$3,200,000). Bids for the project will be let during August, 2009.

SUPPLEMENTARY INFORMATION

CITY OF LINDSBORG, KANSAS
 SCHEDULE OF REVENUES AND EXPENDITURES -
 ACTUAL AND BUDGET - ELECTRIC FUND
 YEAR ENDED DECEMBER 31, 2008

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
OPERATING REVENUES:			
Sales and Charges	\$ 2,525,287	\$ 2,450,000	\$ 75,287
Miscellaneous	24,996	80,500	(55,504)
Total Operating Revenues	<u>2,550,283</u>	<u>2,530,500</u>	<u>19,783</u>
OPERATING EXPENDITURES:			
Personal Services	542,496	602,000	59,504
Contractual Services	104,914	165,000	60,086
Commodities	1,656,566	1,761,800	105,234
Capital Outlay	2,440	330,917	328,477
Total Operating Expenditures	<u>2,306,416</u>	<u>2,859,717</u>	<u>553,301</u>
OPERATING INCOME (LOSS)	243,867	(329,217)	573,084
NONOPERATING REVENUES (EXPENDITURES):			
Meter Deposit Interest	<u>(1,203)</u>	<u>(1,500)</u>	<u>(297)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 242,664</u>	<u>\$ (330,717)</u>	<u>\$ 572,787</u>

CITY OF LINDSBORG, KANSAS
 SCHEDULE OF REVENUES AND EXPENDITURES -
 ACTUAL AND BUDGET - WATER FUND
 YEAR ENDED DECEMBER 31, 2008

	Actual	Budget	Variance
OPERATING REVENUES:			
Sales and Charges	\$ 382,482	\$ 410,000	\$ (27,518)
Miscellaneous	7,559	13,000	(5,441)
Total Operating Revenues	390,041	423,000	(32,959)
OPERATING EXPENDITURES:			
Personal Services	144,381	152,000	7,619
Contractual Services	54,580	45,000	(9,580)
Commodities	95,838	90,000	(5,838)
Capital Outlay	50,019	501,022	451,003
Total Operating Expenditures	344,818	788,022	443,204
OPERATING INCOME (LOSS)	45,223	(365,022)	410,245
NONOPERATING EXPENDITURES:			
Debt Service	(135,175)	(135,175)	0
Total Nonoperating Expenditures	(135,175)	(135,175)	0
REVENUES OVER (UNDER) EXPENDITURES	\$ (89,952)	\$ (500,197)	\$ 410,245

CITY OF LINDSBORG, KANSAS

SCHEDULE OF REQUIREMENTS OF SERIES 1995 ELECTRIC AND WATER REVENUE BOND ORDINANCE

December 31, 2008

1. Capital expenditures for 2008 from operating revenues totaled \$52,459.
2. The "Schedules of Revenues and Expenditures - Actual and Budget" for the Electric and Water Funds provides the information required in Section 908 (a) of the Ordinance.
3. The balance sheet for the Electric and Water Funds are presented in this report as required in Section 908 (b) of the Ordinance.
4. Revenue Bonds totaling \$115,000 were paid in 2008 along with \$18,599 interest.
5. The number of electric customers at December 31, 2008 and 2007 was 1,672 and 1,670, respectfully and the number of water customers at December 31, 2008 and 2008 was 1,346 and 1,346, respectfully.
6. Net revenues as defined in the Ordinance is \$331,845, and the necessary net revenues per the Ordinance would be \$168,969
7. A schedule of insurance on the electric and water utility systems is presented on the following page.
9. Recommendations suggested by the auditor for improvements to the financial procedures and accounting practices employed by the City would be included in a supplemental management letter issued to the City.

CITY OF LINDSBORG, KANSAS
SCHEDULE OF ELECTRIC AND WATER UTILITY SYSTEM INSURANCE COVERAGE
DECEMBER 31, 2008

Company	Property	Coverage	Co-insurance	Amount	Date	Premium
ELECTRIC SYSTEM:						
EMCASCO INSURANCE COMPANY	Building and Contents Substations	Fire, lightning and extended coverage Vandalism and malicious mischief	90%	\$ 2,874,511	04-01-2009	\$ 5,329
	Equipment	Inland Marine - \$500 Ded	80%	\$ 42,441	04-01-2009	226
	Vehicle	Liability		500,000	04-01-2009	2,000
		Comprehensive and Collision - ACV if less or cost of repair less deductible		-		
		Auto Medical		1,000		
		Uninsured Motorists		500,000		
		Underinsured Motorists		500,000		
	Schedule of General Liability			1,000,000	04-01-2009	1,372
	Employees	Workmen's Compensation		Legal	04-01-2009	6,553
WATER SYSTEM:						
EMCASCO INSURANCE COMPANY	Building and Contents Water Tower Pump Houses and Contents Water Wells. Building, and Water Storage	Fire, lightning and extended coverage Vandalism and malicious mischief	90%	\$ 1,046,135	04-01-2009	\$ 1,861
	Equipment	Inland Marine - \$500 Ded	80%	\$ 40,300	04-01-2009	216
	Vehicle	Liability		500,000	04-01-2009	495
		Auto Medical		1,000		
		Comprehensive and Collision - ACV if less or cost of repair less deductible		-		
		Uninsured Motorists		500,000		
		Underinsured Motorists		500,000		
	Schedule of General Liability			1,000,000	04-01-2009	---
	Employees	Workmen's Compensation		Legal	04-01-2009	3,958