CITY OF ABILENE, KANSAS

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

December 31, 2007

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

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September 8, 2008

Mayor and Commission Members
City of Abilene, Kansas

Independent Auditor's Report

We have audited the accompanying financial statements of the City of Abilene, Kansas (the City), as of and for the year ended December 31, 2007, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Abilene, Kansas as of December 31, 2007, and the revenues it received and expenditures it paid for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards,* we have also issued our report dated September 8, 2008 on our consideration of the City of Abilene, Kansas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

September 8, 2008
Mayor and Commission Members
City of Abilene, Kansas
(Continued)

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

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

Varney & Associates

Certified Public Accountants

STATEMENT 1

CITY OF ABILENE, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For the Year Ended December 31, 2007

Fund	Unencumbered Cash Balance January 1, 2007	Cash Receipts	Expenditures	Unencumbered Cash Balance December 31, 2007	Add: Outstanding Encumbrances and Accounts Payable	Cash Balance December 31, 2007
Governmental Funds						
General Fund	$ 2,391,605	$ 3,615,748	$ 3,474,524	$ 2,532,829	180,499	$ 2,713,328
Special Revenue Funds						
Airport	88,408	225,617	378,344	(64,319)	133,814	69,495
Fire Apparatus	13,514	35,808	31,892	17,430	-	17,430
Special Parks and Recreation	41,755	15,130	24,507	32,378	16,709	49,087
Special Alcohol and Drug	51,664	14,687	37,925	28,426	-	28,426
Library	-	250,497	247,649	2,848	-	2,848
Tourism and Convention	24,410	171,740	187,055	9,095	-	9,095
Special Street	15,158	265,449	266,073	14,534	38,703	53,237
Recreation	324,755	358,472	888,250	(205,023)	150,281	(54,742)
Special Liability	15,734	286	-	16,020	-	16,020
Capital Improvement	172,315	33,114	-	205,429	-	205,429
Equipment Reserve	49,990	185,291	108,287	126,994	21,021	148,015
Community Center	156,755	2,581	9,191	150,145	-	150,145
Debt Service Funds	289,539	170,468	250,468	209,539	-	209,539
Capital Project Funds						
Cedar Ridge Estates	523,099	4,376	496,790	30,685	-	30,685
Automated Meter Reader System	21,162	195	12,945	8,412	-	8,412
Wastewater Treatment Plant Disinfection System	-	6,596,769	6,607,268	(10,499)	-	(10,499)
Eastridge Estates	(139)	496,074	281,628	214,307	-	214,307
The Highlands Addition	-	-	10,846	(10,846)	-	(10,846)
Dawson 4	-	405,543	92,657	312,886	-	312,886

(Continued)

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

STATEMENT 1
(continued)

CITY OF ABILENE, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH (CONTINUED)
For The Year Ended December 31, 2006

Fund	Unencumbered Cash Balance January 1, 2007	Cash Receipts	Expenditures	Unencumbered Cash Balance December 31, 2007	Add: Outstanding Encumbrances and Accounts Payable	Cash Balance December 31, 2007
Proprietary Funds						
Enterprise						
Water	$ 816,774	$ 1,391,118	$ 1,505,923	$ 701,969	67,244	$ 769,213
Equipment Reserve Water	525,088	148,690	-	673,778	-	673,778
Recycling	306,768	99,298	71,961	334,105	-	334,105
Wastewater	318,187	1,473,489	644,999	1,146,677	27,703	1,174,380
Equipment Reserve Sewer	151,856	28,151	55,250	124,757	55,250	180,007
Storm Drain	285,916	73,537	23,131	336,322	-	336,322
Component Unit						
Abilene Library	321,086	298,343	323,158	296,271	1,500	297,771
Total (Memorandum Only)	$ 6,905,399	$ 16,360,471	$ 16,030,721	$ 7,235,149	$ 692,724	$ 7,927,873

Composition of Cash	
Checking account	$ 3,559,204
Money market accounts	341,657
Certificates of deposit	3,734,037
Savings accounts	369
Change fund and petty cash	630
Municipal Band	11,526
Abilene Library (Component Unit)	297,771
Total Cash	$ 7,945,194
Agency Funds per Statement 4	(17,321)
TOTAL REPORTING ENTITY (EXCLUDING AGENCY)	$ 7,927,873

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

CITY OF ABILENE, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET (BUDGETED FUNDS ONLY)
For the Year Ended December 31, 2007

Fund	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental Funds					
General Fund	$ 5,140,640		$ 5,140,640	$ 3,474,524	$ 1,666,116
Debt Service Funds	238,478		238,478	250,468	(11,990)
Special Revenue Funds					
Airport	134,955		134,955	378,344	(243,389)
Fire Apparatus	36,448		36,448	31,892	4,556
Special Parks and Recreation	26,345		26,345	24,507	1,838
Special Alcohol and Drug	38,200		38,200	37,925	275
Library	253,561		253,561	247,649	5,912
Tourism and Convention	201,294		201,294	187,055	14,239
Special Street	424,979		424,979	266,073	158,906
Recreation	651,090		651,090	540,522	110,568
Special Liability	15,500		15,500	-	15,500
Capital Improvement	175,000		175,000	-	175,000
Equipment Reserve	183,565		183,565	108,287	75,278
Community Center	160,000		160,000	9,191	150,809
Proprietary Funds					
Water	2,089,429		2,089,429	1,505,923	583,506
Recycling	331,026		331,026	71,961	259,065
Wastewater	1,219,146		1,219,146	644,999	574,147
Storm Drain	251,781		251,781	23,131	228,650

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

GENERAL FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Taxes	$ 1,217,234	$ 1,227,404	$ (10,170)
Intergovernmental revenues	67,101	62,750	4,351
Grants	69,912	37,745	32,167
Sales tax	1,164,713	1,100,000	64,713
Licenses and permits	34,943	57,500	(22,557)
Fines and penalties	204,880	177,500	27,380
Charges for services	13,374	10,000	3,374
Franchise tax	491,694	420,000	71,694
Interest	72,666	40,000	32,666
Rent	16,224	15,550	674
Reimbursed expenses	44,725	12,500	32,225
Miscellaneous	78,282	91,240	(12,958)
Transfers	140,000	140,000	-
Total Cash Receipts	$ 3,615,748	$ 3,392,189	$ 223,559
EXPENDITURES			
General	$ 382,815	$ 420,649	$ 37,834
Municipal court	129,011	129,476	465
Police	952,297	985,840	33,543
Fire	564,951	621,285	56,334
Street	539,581	535,654	(3,927)
Bindweed/flood maintenance	73,481	90,047	16,566
Inspection	79,406	114,304	34,898
Parks and recreation	227,211	238,166	10,955
Swimming pool	5,197	15,575	10,378
Community development	135,167	148,696	13,529
Senior Center and transport	123,119	96,846	(26,273)
Special projects	39,704	1,541,518	1,501,814
Transfers	222,584	202,584	(20,000)
Total Expenditures	$ 3,474,524	$ 5,140,640	$ 1,666,116
RECEIPTS OVER (UNDER) EXPENDITURES	$ 141,224	$ (1,748,451)	
UNENCUMBERED CASH - JANUARY 1	2,391,605	158,416	
UNENCUMBERED CASH - DECEMBER 31	$ 2,532,829	$ (1,590,035)	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

SPECIAL REVENUE FUND
AIRPORT FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Property taxes	$ 23,451	$ 24,000	$ (549)
Motor vehicle taxes	4,424	4,312	112
Delinquent taxes	553	100	453
Intergovernmental	181,921	76,000	105,921
Interest	2,308	200	2,108
Rent	12,960	13,840	(880)
Total Cash Receipts	$ 225,617	$ 118,452	$ 107,165
EXPENDITURES			
Contractual services and other charges	$ 63,278	$ 46,955	$ (16,323)
Maintenance and repairs	2,191	8,000	5,809
Capital outlay	312,875	80,000	(232,875)
Total Expenditures	$ 378,344	$ 134,955	$ (243,389)
RECEIPTS OVER (UNDER) EXPENDITURES	$ (152,727)	$ (16,503)	
UNENCUMBERED CASH - JANUARY 1	88,408	3,380	
UNENCUMBERED CASH - DECEMBER 31	$ (64,319)	$ (13,123)	

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

SPECIAL REVENUE FUND
FIRE APPARATUS FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Property taxes	$ 29,310	$ 30,000	$ (690)
Motor vehicle taxes	5,529	5,390	139
Delinquent taxes	684	300	384
Interest	285	100	185
Total Cash Receipts	$ 35,808	$ 35,790	$ 18
EXPENDITURES			
Capital outlay	$ 31,892	$ 36,448	$ 4,556
Total Expenditures	$ 31,892	$ 36,448	$ 4,556
RECEIPTS OVER (UNDER) EXPENDITURES	$ 3,916	$ (658)	
UNENCUMBERED CASH - JANUARY 1	13,514	1,600	
UNENCUMBERED CASH - DECEMBER 31	$ 17,430	$ 942	

Financial Statements

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CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

SPECIAL REVENUE FUND
SPECIAL PARKS AND RECREATION FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Intergovernmental revenues	$ 14,330	$ 12,000	$ 2,330
Interest	800	50	750
Total Cash Receipts	$ 15,130	$ 12,050	$ 3,080
EXPENDITURES			
Capital outlay	$ 24,507	$ 26,345	$ 1,838
Total Expenditures	$ 24,507	$ 26,345	$ 1,838
RECEIPTS OVER (UNDER) EXPENDITURES	$ (9,377)	$ (14,295)	
UNENCUMBERED CASH - JANUARY 1	41,755	500	
UNENCUMBERED CASH - DECEMBER 31	$ 32,378	$ (13,795)	

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CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

SPECIAL REVENUE FUND
SPECIAL ALCOHOL AND DRUG FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Intergovernmental revenue	$ 13,949	$ 12,000	$ 1,949
Interest	738	575	163
Total Cash Receipts	$ 14,687	$ 12,575	$ 2,112
EXPENDITURES			
Miscellaneous	$ 19,825	$ 19,600	$ (225)
Contributions	4,500	5,000	500
Special projects	13,600	13,600	-
Total Expenditures	$ 37,925	$ 38,200	$ 275
RECEIPTS OVER (UNDER) EXPENDITURES	$ (23,238)	$ (25,625)	
UNENCUMBERED CASH - JANUARY 1	51,664	1,450	
UNENCUMBERED CASH - DECEMBER 31	$ 28,426	$ (24,175)	

Financial Statements

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

SPECIAL REVENUE FUND
LIBRARY FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Property taxes	$ 210,957	$ 216,135	$ (5,178)
Motor vehicle taxes	35,170	35,926	(756)
Delinquent taxes	4,370	1,500	2,870
Total Cash Receipts	$ 250,497	$ 253,561	$ (3,064)
EXPENDITURES			
Transfer to component units	$ 247,649	$ 253,561	$ 5,912
Total Expenditures	$ 247,649	$ 253,561	$ 5,912
RECEIPTS OVER (UNDER) EXPENDITURES	$ 2,848	$ -	
UNENCUMBERED CASH - JANUARY 1	-	-	
UNENCUMBERED CASH - DECEMBER 31	$ 2,848	$ -	

The accompanying notes are an integral part of these financial statements.
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CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

SPECIAL REVENUE FUND
TOURISM AND CONVENTION FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Transient guest tax	$ 116,002	$ 116,000	$ 2
Charges for services	9,172	8,700	472
Interest	343	340	3
Reimbursed expenses	6,223	13,000	(6,777)
Transfers	40,000	40,000	-
Total Cash Receipts	$ 171,740	$ 178,040	$ (6,300)
EXPENDITURES			
Personnel and employee benefits	$ 89,747	$ 91,261	$ 1,514
Contractual services and other charges	88,904	102,033	13,129
Maintenance and repairs	8,404	8,000	(404)
Total Expenditures	$ 187,055	$ 201,294	$ 14,239
RECEIPTS OVER (UNDER) EXPENDITURES	$ (15,315)	$ (23,254)	
UNENCUMBERED CASH - JANUARY 1	24,410	9,241	
UNENCUMBERED CASH - DECEMBER 31	$ 9,095	$ (14,013)	

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

SPECIAL REVENUE FUND
SPECIAL STREET FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Intergovernmental revenues	$ 254,937	$ 415,800	$ (160,863)
Interest	10,288	3,000	7,288
Reimbursed expenses	224	-	224
Total Cash Receipts	$ 265,449	$ 418,800	$ (153,351)
EXPENDITURES			
Materials and supplies	$ 11,036	$ 11,000	$ (36)
Maintenance and repairs	3,878	6,500	2,622
Capital outlay	251,159	407,479	156,320
Total Expenditures	$ 266,073	$ 424,979	$ 158,906
RECEIPTS OVER (UNDER) EXPENDITURES	$ (624)	$ (6,179)	
UNENCUMBERED CASH - JANUARY 1	15,158	5,545	
UNENCUMBERED CASH - DECEMBER 31	$ 14,534	$ (634)	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

SPECIAL REVENUE FUND
RECREATION FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Contract payments	$ 159,779	$ 160,170	$ (391)
Interest	5,521	5,000	521
Fees	193,172	174,700	18,472
Total Cash Receipts	$ 358,472	$ 339,870	$ 18,602
EXPENDITURES			
Administration	$ 189,432	$ 263,694	$ 74,262
Acquatics	45,853	52,177	6,324
Athletics	74,013	83,468	9,455
Community education	19,822	21,434	1,612
Community Center	61,163	76,212	15,049
Special projects	150,239	154,105	3,866
Total Expenditures	$ 540,522	$ 651,090	$ 106,702
RECEIPTS OVER (UNDER) EXPENDITURES	$ (182,050)	$ (311,220)	
Recreation Commission funds sent to the Recreation Commission (See Note 10)	(347,728)	-	
UNENCUMBERED CASH - JANUARY 1	324,755	364,478	
UNENCUMBERED CASH - DECEMBER 31	$ (205,023)	$ 53,258	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

SPECIAL REVENUE FUND
SPECIAL LIABILITY FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Interest	$ 286	$ 25	$ 261
Total Cash Receipts	$ 286	$ 25	$ 261
EXPENDITURES			
Contractual services and other charges	$ -	$ 15,500	$ 15,500
Total Expenditures	$ -	$ 15,500	$ 15,500
RECEIPTS OVER (UNDER) EXPENDITURES	$ 286	$ (15,475)	
UNENCUMBERED CASH - JANUARY 1	15,734	182	
UNENCUMBERED CASH - DECEMBER 31	$ 16,020	$ (15,293)	

Financial Statements

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

SPECIAL REVENUE FUND
CAPITAL IMPROVEMENT FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Property taxes	$ 24,401	$ 25,000	$ (599)
Motor vehicle taxes	4,604	4,493	111
Delinquent taxes	566	500	66
Interest	3,543	150	3,393
Total Cash Receipts	$ 33,114	$ 30,143	$ 2,971
EXPENDITURES			
Special projects	$ -	$ 175,000	$ 175,000
Total Expenditures	$ -	$ 175,000	$ 175,000
RECEIPTS OVER (UNDER) EXPENDITURES	$ 33,114	$ (144,857)	
UNENCUMBERED CASH - JANUARY 1	172,315	-	
UNENCUMBERED CASH - DECEMBER 31	$ 205,429	$ (144,857)	

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CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

SPECIAL REVENUE FUND
EQUIPMENT RESERVE FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Interest	$ 2,707	$ 50	$ 2,657
Transfers	182,584	182,584	-
Total Cash Receipts	$ 185,291	$ 182,634	$ 2,657
EXPENDITURES			
Capital outlay	$ 108,287	$ 183,565	$ 75,278
Total Expenditures	$ 108,287	$ 183,565	$ 75,278
RECEIPTS OVER (UNDER) EXPENDITURES	$ 77,004	$ (931)	
UNENCUMBERED CASH - JANUARY 1	49,990	27,285	
UNENCUMBERED CASH - DECEMBER 31	$ 126,994	$ 26,354	

Financial Statements

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CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

SPECIAL REVENUE FUND
COMMUNITY CENTER FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Interest	$ 2,581	$ 100	$ 2,481
Total Cash Receipts	$ 2,581	$ 100	$ 2,481
EXPENDITURES			
Capital outlay	$ 9,191	$ 160,000	$ 150,809
Total Expenditures	$ 9,191	$ 160,000	$ 150,809
RECEIPTS OVER (UNDER) EXPENDITURES	$ (6,610)	$ (159,900)	
UNENCUMBERED CASH - JANUARY 1	156,755	-	
UNENCUMBERED CASH - DECEMBER 31	$ 150,145	$ (159,900)	

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Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

DEBT SERVICE FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Property taxes	$ 7,721	$ 7,844	$ (123)
Motor vehicle taxes	7,635	1,410	6,225
Delinquent taxes	829	1,000	(171)
Special assessments	130,879	129,726	1,153
Interest	23,404	1,500	21,904
Total Cash Receipts	$ 170,468	$ 141,480	$ 28,988
EXPENDITURES			
Principal payments	$ 205,000	$ 205,000	$ -
Interest payments	45,467	32,778	(12,689)
Commissions	1	700	699
Total Expenditures	$ 250,468	$ 238,478	$ (11,990)
RECEIPTS OVER (UNDER) EXPENDITURES	$ (80,000)	$ (96,998)	
UNENCUMBERED CASH - JANUARY 1	289,539	248,000	
UNENCUMBERED CASH - DECEMBER 31	$ 209,539	$ 151,002	

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CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2007

CAPITAL IMPROVEMENT FUND
CEDAR RIDGE ESTATES

CASH RECEIPTS		
Interest	$	4,376
Total Cash Receipts	$	4,376
EXPENDITURES		
Capital outlay	$	471,069
Interest		25,721
Total Expenditures	$	496,790
RECEIPTS OVER (UNDER) EXPENDITURES	$	(492,414)
UNENCUMBERED CASH - JANUARY 1		523,099
UNENCUMBERED CASH - DECEMBER 31	$	30,685

Financial Statements

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See Certified Public Accountants' Report.

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2007

CAPITAL IMPROVEMENT FUND
AUTOMATED METER READER SYSTEM

CASH RECEIPTS		
Interest	$	195
Total Cash Receipts	$	195
EXPENDITURES		
Capital outlay	$	12,945
Total Expenditures	$	12,945
RECEIPTS OVER (UNDER) EXPENDITURES	$	(12,750)
UNENCUMBERED CASH - JANUARY 1		21,162
UNENCUMBERED CASH - DECEMBER 31	$	8,412

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2007

CAPITAL IMPROVEMENT FUND
WASTEWATER TREATMENT PLANT PROJECT

CASH RECEIPTS	
Interest	$ 900
Intergovernmental	6,595,869
Total Cash Receipts	$ 6,596,769
EXPENDITURES	
Capital outlay	$ 6,607,268
Total Expenditures	$ 6,607,268
RECEIPTS OVER (UNDER) EXPENDITURES	$ (10,499)
UNENCUMBERED CASH - JANUARY 1	-
UNENCUMBERED CASH - DECEMBER 31	$ (10,499)

Financial Statements

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2007

CAPITAL IMPROVEMENT FUND
EASTRIDGE ESTATES

CASH RECEIPTS	
Interest	$ 4,435
Special Assessments	31,639
Sale of temporary notes	460,000
Total Cash Receipts	$ 496,074
EXPENDITURES	
Capital outlay	$ 269,619
Administrative fees	3,637
Interest	8,372
Total Expenditures	$ 281,628
RECEIPTS OVER (UNDER) EXPENDITURES	$ 214,446
UNENCUMBERED CASH - JANUARY 1	(139)
UNENCUMBERED CASH - DECEMBER 31	$ 214,307

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2007

CAPITAL IMPROVEMENT FUND
THE HIGHLANDS ADDITION

CASH RECEIPTS	$	-
EXPENDITURES		
Capital outlay	$	10,846
Total Expenditures	$	10,846
RECEIPTS OVER (UNDER) EXPENDITURES	$	(10,846)
UNENCUMBERED CASH - JANUARY 1		-
UNENCUMBERED CASH - DECEMBER 31	$	(10,846)

Financial Statements

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
For the Year Ended December 31, 2007

CAPITAL IMPROVEMENT FUND
DAWSON 4

CASH RECEIPTS		
Interest	$	543
Sale of temporary notes		405,000
Total Cash Receipts	$	405,543
EXPENDITURES		
Capital outlay	$	91,034
Administrative fees		1,623
Total Expenditures	$	92,657
RECEIPTS OVER (UNDER) EXPENDITURES	$	312,886
UNENCUMBERED CASH - JANUARY 1		-
UNENCUMBERED CASH - DECEMBER 31	$	312,886

Financial Statements

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

ENTERPRISE FUND
WATER UTILITY FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Charges for services	$ 1,304,731	$ 1,465,000	$ (160,269)
Sales tax	15,010	18,000	(2,990)
Fines and penalties	14,694	15,000	(306)
Interest	34,266	30,000	4,266
Reimbursed expenses	5,444	1,800	3,644
Miscellaneous	16,973	23,500	(6,527)
Total Cash Receipts	$ 1,391,118	$ 1,553,300	$ (162,182)
EXPENDITURES			
Production	$ 153,034	$ 138,669	$ (14,365)
Distribution	215,628	259,369	43,741
Commercial	163,799	197,887	34,088
Water treatment plant	198,974	239,422	40,448
Lease purchases	138,343	138,343	-
Debt service			
Principal payments	297,162	297,170	8
Interest payments	100,125	100,125	-
Commissions	3,392	3,392	-
Capital outlay	23,466	503,052	479,586
Transfers	212,000	212,000	-
Total Expenditures	$ 1,505,923	$ 2,089,429	$ 583,506
RECEIPTS OVER (UNDER) EXPENDITURES	$ (114,805)	$ (536,129)	
UNENCUMBERED CASH - JANUARY 1	816,774	85,699	
UNENCUMBERED CASH - DECEMBER 31	$ 701,969	$ (450,430)	

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

ENTERPRISE FUND
EQUIPMENT RESERVE WATER FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Interest	$ 11,690	$ 100	$ 11,590
Transfers	137,000	137,000	-
Total Cash Receipts	$ 148,690	$ 137,100	$ 11,590
EXPENDITURES	$ -	$ -	$ -
RECEIPTS OVER (UNDER) EXPENDITURES	$ 148,690	$ 137,100	
UNENCUMBERED CASH - JANUARY 1	525,088	602,563	
UNENCUMBERED CASH - DECEMBER 31	$ 673,778	$ 739,663	

Financial Statements

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

ENTERPRISE FUND
RECYCLING FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Charges for services	$ 57,143	$ 56,000	$ 1,143
Interest	6,005	500	5,505
Reimbursed expenses	24	-	24
Miscellaneous	36,126	22,000	14,126
Total Cash Receipts	$ 99,298	$ 78,500	$ 20,798
EXPENDITURES			
Personnel	$ 58,437	$ 63,958	$ 5,521
Service and supplies	13,524	22,925	9,401
Capital outlay	-	244,143	244,143
Total Expenditures	$ 71,961	$ 331,026	$ 259,065
RECEIPTS OVER (UNDER) EXPENDITURES	$ 27,337	$ (252,526)	
UNENCUMBERED CASH - JANUARY 1	306,768	4,143	
UNENCUMBERED CASH - DECEMBER 31	$ 334,105	$ (248,383)	

Financial Statements

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

ENTERPRISE FUND
WASTEWATER UTILITY FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Charges for services	$ 1,435,712	$ 1,228,336	$ 207,376
Interest	33,497	5,000	28,497
Reimbursed expenses	4,280	1,000	3,280
Total Cash Receipts	$ 1,473,489	$ 1,234,336	$ 239,153
EXPENDITURES			
Collection	$ 136,095	$ 120,408	$ (15,687)
Commercial	132,698	159,221	26,523
Wastewater treatment plant	188,131	297,839	109,708
Debt service			
Principal payments	30,222	310,745	280,523
Interest payments	48,383	11,950	(36,433)
Commissions	1,059	1,060	1
Capital outlay	23,411	232,923	209,512
Transfers	85,000	85,000	-
Total Expenditures	$ 644,999	$ 1,219,146	$ 574,147
RECEIPTS OVER (UNDER) EXPENDITURES	$ 828,490	$ 15,190	
UNENCUMBERED CASH - JANUARY 1	318,187	42,017	
UNENCUMBERED CASH - DECEMBER 31	$ 1,146,677	$ 57,207	

Financial Statements

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

ENTERPRISE FUND
EQUIPMENT RESERVE SEWER FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Interest	$ 3,151	$ 100	$ 3,051
Transfers	25,000	25,000	-
Total Cash Receipts	$ 28,151	$ 25,100	$ 3,051
EXPENDITURES	$ 55,250	$ 45,000	$ -
RECEIPTS OVER (UNDER) EXPENDITURES	$ (27,099)	$ (19,900)	
UNENCUMBERED CASH - JANUARY 1	151,856	151,198	
UNENCUMBERED CASH - DECEMBER 31	$ 124,757	$ 131,298	

Financial Statements

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

CITY OF ABILENE, KANSAS
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
For the Year Ended December 31, 2007

ENTERPRISE FUND
STORM DRAIN FUND

	Actual	Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS			
Charges for services	$ 67,802	$ 65,000	$ 2,802
Interest	5,735	100	5,635
Total Cash Receipts	$ 73,537	$ 65,100	$ 8,437
EXPENDITURES			
Capital outlay	$ 18,131	$ 246,781	$ 228,650
Transfers	5,000	5,000	-
Total Expenditures	$ 23,131	$ 251,781	$ 228,650
RECEIPTS OVER (UNDER) EXPENDITURES	$ 50,406	$ (186,681)	
UNENCUMBERED CASH - JANUARY 1	285,916	5,750	
UNENCUMBERED CASH - DECEMBER 31	$ 336,322	$ (180,931)	

Financial Statements

CITY OF ABILENE, KANSAS
SUMMARY OF CASH RECEIPTS, CASH DISBURSEMENTS AND UNENCUMBERED CASH - AGENCY FUNDS
For the Year Ended December 31, 2007

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
FUNDS				
Landfill	$ 2,841	$ 34,306	$ 31,352	$ 5,795
Abilene Muncipal Band	14,976	11,483	14,933	11,526
TOTAL AGENCY FUNDS	$ 17,817	$ 45,789	$ 46,285	$ 17,321

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

STATEMENT 5

CITY OF ABILENE, KANSAS
STATEMENT OF CHANGES IN LONG-TERM DEBT
For the Year Ended December 31, 2007

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
General Obligation Bonds									
1998 Hidden Meadows #4	5.00%	9/1/98	$ 75,000	9/1/08	$ 20,000	$ -	$ 10,000	$ (10,000)	$ 10,000
1999 Fitzsimmons #1	Var - 5.3%	4/1/99	270,000	3/1/09	115,000	-	35,000	(35,000)	80,000
2003 21st Brady	Var - 3.25%	7/1/03	1,300,000	9/1/13	960,000	-	120,000	(120,000)	840,000
2005 Series A	Var - 4.10%	6/15/05	460,000	9/1/15	425,000	-	40,000	(40,000)	385,000
2006 Series	Var - 4.05%	9/1/06	300,000	9/1/17	300,000	-	-	-	300,000
Total General Obligation Bonds			$ 2,405,000		$ 1,820,000	$ -	$ 205,000	$ (205,000)	$ 1,615,000
Revolving Loans									
2002-Enterprise Refunding Bonds	Var - 4.0%	8/1/02	$ 2,685,000	9/1/13	$ 1,815,000	$ -	$ 235,000	$ (235,000)	$ 1,580,000
KDHE Project C20 1480 Sewer	3.07%	3/25/98	850,000	3/1/18	431,203	-	30,222	(30,222)	400,981
KDHE Project 2001 Water	3.98%	12/7/98	1,400,000	2/1/19	984,462	-	62,162	(62,162)	922,300
KDHE Waste Water Treatment Plant	2.58%	9/1/06	8,662,000	9/1/28	462,710	6,199,205	-	6,199,205	6,661,915
Total Revolving Loans			$ 13,597,000		$ 3,693,375	$ 6,199,205	$ 327,384	$ 5,871,821	$ 9,565,196
Capital Leases									
Fire truck	3.75%	5/1/03	$ 141,676	8/1/08	$ 60,382	$ -	$ 29,629	$ (29,629)	$ 30,753
Street sweeper	3.75%	9/1/04	65,868	9/1/09	40,984	-	13,156	(13,156)	27,828
Meter reader system	3.50%	6/20/04	1,160,433	5/20/14	950,962	-	105,059	(105,059)	845,903
Total Capital Leases			$ 1,367,977		$ 1,052,328	$ -	$ 147,844	$ (147,844)	$ 904,484
Temporary Notes									
Cedar Ridge Estates	3.80%	9/11/06	$ 676,880	9/15/10	$ 676,880	$ -	$ -	$ -	$ 676,880
Eastridge Estates	3.63%	2/15/07	460,000	2/15/11	-	460,000	-	460,000	460,000
Dawson 4	3.45%	11/15/07	405,000	11/15/09	-	405,000	-	405,000	405,000
Total Temporary Notes			$ 1,541,880		$ 676,880	$ 865,000	$ -	$ 865,000	$ 1,541,880
TOTAL LONG-TERM DEBT					$ 7,242,583	$ 7,064,205	$ 680,228	$ 6,383,977	$ 13,626,560

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

See Certified Public Accountants' Report.

CITY OF ABILENE, KANSAS
SCHEDULE OF MATURITY OF LONG-TERM DEBT
For The Year Ended December 31,

PRINCIPAL	2008	2009	2010	2011	2012	2013-2017	2018-2022	2023-2027	2028-2032	Total
General Obligation Bonds										
1998 Hidden Meadows #4	$ 10,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,000
1999 Fitzsimmons #1	40,000	40,000	-	-	-	-	-	-	-	80,000
2003 21st Brady	125,000	130,000	135,000	145,000	150,000	155,000	-	-	-	840,000
2005 Series A	40,000	45,000	45,000	45,000	50,000	160,000	-	-	-	385,000
2006 Series	10,000	25,000	30,000	30,000	30,000	175,000	-	-	-	300,000
Total General Obligation Bonds	$ 225,000	$ 240,000	$ 210,000	$ 220,000	$ 230,000	$ 490,000	$ -	$ -	$ -	$ 1,615,000
Revolving Loans										
2002-Enterprise Refunding Bonds	$ 245,000	$ 255,000	$ 265,000	$ 280,000	$ 290,000	$ 245,000	$ -	$ -	$ -	$ 1,580,000
KDHE Project C20 1480 Sewer	31,157	32,121	33,115	34,139	35,195	192,999	42,255	-	-	400,981
KDHE Project 2001 Water	64,660	67,259	69,963	72,775	75,700	426,666	145,277	-	-	922,300
KDHE Wastewater Treatment Plant	166,827	340,138	348,970	358,032	367,328	1,984,769	2,256,190	2,564,727	275,019	8,662,000
Total Revolving Loans	$ 507,644	$ 694,518	$ 717,048	$ 744,946	$ 768,223	$ 2,849,434	$ 2,443,722	$ 2,564,727	$ 275,019	$ 11,565,281
Capital Leases										
Fire truck	$ 30,753	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 30,753
Street sweeper		14,175	-	-	-	-	-	-	-	14,175
Meter reader system	108,736	112,542	110,806	117,455	124,502	271,862	-	-	-	845,903
Total Capital Leases	$ 139,489	$ 126,717	$ 110,806	$ 117,455	$ 124,502	$ 271,862	$ -	$ -	$ -	$ 890,831
Temporary Notes										
Cedar Ridge Estates	$ -	$ -	$ 676,880	$ -	$ -	$ -	$ -	$ -	$ -	$ 676,880
Eastridge Estates	-	-	-	460,000	-	-	-	-	-	460,000
Dawson 4	-	405,000	-	-	-	-	-	-	-	405,000
Total Temporary Notes	$ -	$ 405,000	$ 676,880	$ 460,000	$ -	$ -	$ -	$ -	$ -	$ 1,541,880
TOTAL PRINCIPAL	$ 872,133	$ 1,466,235	$ 1,714,734	$ 1,542,401	$ 1,122,725	$ 3,611,296	$ 2,443,722	$ 2,564,727	$ 275,019	$ 15,612,992

(Continued)

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

CITY OF ABILENE, KANSAS
SCHEDULE OF MATURITY OF LONG-TERM DEBT (CONTINUED)
For The Year Ended December 31,

INTEREST	2008	2009	2010	2011	2012	2013-2017	2018-2022	2023-2027	2028-2032	Total
General Obligation Bonds										
1998 Hidden Meadows #4	$ 500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 500
1999 Fitzsimmons #1	3,420	1,720	-	-	-	-	-	-	-	5,140
2003 21st Brady	27,781	24,500	20,708	16,377	11,302	5,877	-	-	-	106,545
2005 Series A	12,600	11,440	10,090	8,695	7,255	11,463	-	-	-	61,543
2006 Series	23,950	11,570	10,558	9,343	8,128	21,528	-	-	-	85,077
Total General Obligation Bonds	$ 68,251	$ 49,230	$ 41,356	$ 34,415	$ 26,685	$ 38,868	$ -	$ -	$ -	$ 258,805
Revolving Loans										
2002-Enterprise Refunding Bonds	$ 57,898	$ 49,935	$ 41,138	$ 31,465	$ 20,965	$ 9,800	$ -	$ -	$ -	$ 211,201
KDHE Project C20 1480 Sewer	12,073	11,109	10,115	9,091	8,035	23,151	976	-	-	74,550
KDHE Project 2001 Water	36,071	33,471	30,768	27,956	25,030	76,988	5,820	-	-	236,104
KDHE Wastewater Treatment Plant	100,912	195,969	187,992	179,809	171,414	723,295	478,175	199,534	3,203	2,240,303
Total Revolving Loans	$ 206,954	$ 290,484	$ 270,013	$ 248,321	$ 225,444	$ 833,234	$ 484,971	$ 199,534	$ 3,203	$ 2,762,158
Capital Leases										
Fire truck	$ 1,153	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,153
Street sweeper	1,061	540	-	-	-	-	-	-	-	1,601
Meter reader system	29,607	25,801	37,478	30,829	23,782	24,705	-	-	-	172,202
Total Capital Leases	$ 31,821	$ 26,341	$ 37,478	$ 30,829	$ 23,782	$ 24,705	$ -	$ -	$ -	$ 174,956
Temporary Notes										
Cedar Ridge Estates	$ 25,721	$ 25,721	$ 25,721	$ -	$ -	$ -	$ -	$ -	$ -	$ 77,163
Eastridge Estates	16,744	16,744	16,744	8,372	-	-	-	-	-	58,604
Dawson 4	13,973	13,973	-	-	-	-	-	-	-	27,946
Total Temporary Notes	$ 56,438	$ 56,438	$ 42,465	$ 8,372	$ -	$ -	$ -	$ -	$ -	$ 163,713
TOTAL INTEREST	$ 363,464	$ 422,493	$ 391,312	$ 321,937	$ 275,911	$ 896,807	$ 484,971	$ 199,534	$ 3,203	$ 3,359,632
TOTAL PRINCIPAL & INTEREST	$ 1,235,597	$ 1,888,728	$ 2,106,046	$ 1,864,338	$ 1,398,636	$ 4,508,103	$ 2,928,693	$ 2,764,261	$ 278,222	$ 18,972,624

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

Note 1: Summary of Significant Accounting Policies

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

The Financial Reporting Entity

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

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

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

Fund Accounting

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

Governmental Funds

General Fund - The general fund is the general operating fund of the City. It is used to account for all unrestricted financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

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

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

Proprietary Funds

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Statutory Basis of Presentation

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

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

Departure From Generally Accepted Accounting Principles

The basis of accounting described above results in a financial presentation which shows cash receipts, disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenditures, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balances; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. General fixed assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

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

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

- Equipment Reserve
- Capital Improvement

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

Discretely Presented Component Units

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

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

Special Assessments

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

Investments

Investments are stated at cost, which approximates market.

Compensated Absences

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to all accrued vacation leave upon termination. Employees with more than 20 years of tenure are entitled to 25% of their sick leave balance upon retirement or separation. At December 31, 2007, the City's liability for unused vacation time is approximately $102,473, attributable to governmental and proprietary funds. Sick leave is estimated to be $66,263.

Deposits and Investments

As of December 31, 2007, the City had no investments and maturities.

Note 2: Deposits and Investments

Deposits and Investments (Continued)

As of December 31, 2007, the City had no investments and maturities.

K.S.A. 9-1401 establishes the depositories, which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. At December 31, 2007, the City had no investments applicable under these statutes.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City had no designated "peak periods".

At December 31, 2007, the carrying amount of the City's deposits, including certificates of deposit, was $8,403,166 and the bank balance was $8,561,465. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, $676,164 was covered by federal depository insurance; $7,885,301 was collateralized and protected by surety bond or safekeeping agreement with the Federal Reserve and held by the City or Federal Reserve.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At December 31, 2007, the City held no investments with public money.

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

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

Note 3: Long-Term Debt

Following is a summary of debt transactions of the City for the year ended December 31, 2007:

	General Obligation	Revolving Loans	Capital Leases	Temporary Notes	Total
PAYABLE JAN. 1, 2007	$ 1,820,000	$ 3,693,375	$ 1,052,328	$ 676,880	$ 7,242,583
Issued	-	6,199,205	-	865,000	7,064,205
Retired	205,000	327,384	147,850	-	680,234
PAYABLE DEC. 31, 2007	$ 1,615,000	$ 9,565,196	$ 904,478	$ 1,541,880	$ 13,626,554

Total interest expense for the year was $228,068.

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

Conduit Debt

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

Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2007, there was one industrial revenue bond outstanding. The principal amount payable at December 31, 2007 could not be determined, however, the original issue of the bond was $1,750,000.

Note 4: Defined Benefit Pension Plan

Plan Description

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

Note 4: Defined Benefit Pension Plan (Continued)

Funding Policy

KSA 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. KSA 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for January 1, 2007 to December 31, 2007 is 5.31%. The City employer contributions to KPERS for the years ended December 31, 2007, 2006 and 2005 were $59,237, $49,497 and $46,938, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2007 is 13.32%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's contribution to KP&F for the years ended December 31, 2007, 2006 and 2005 were $115,678, $101,932 and $96,978, respectively, equal to the statutory required contributions for each year.

Note 5: Post-Employment Disclosures

The City's personnel policy includes a provision whereby the City provides 50% of the cost of health insurance benefits until age 62 to retirees with 10 or more years of service. As of December 31, 2007 the City has no retiree meeting the eligibility requirements.

There is no liability at December 31, 2007.

Note 6: Capital Projects

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

Project Name	Expenditures to Date	Project Authorizations
Cedar Ridge Estates	$ 651,085	$ 855,880
Wastewater Treatment Plant	7,635,602	9,624,200
Eastridge Estates	250,128	498,022
Dawson 4	92,889	435,127
The Highlands Addition	10,846	4,571,276
Total at December 31, 2007	$ 8,640,550	$ 10,480,080

Note 7: Commitments and Contingencies

Construction Contracts

At December 31, 2007, the City had pending construction project contracts. Commitments related to significant contracts include contracts for the City's capital improvements.

Risk Management

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

Note 8: Transfers

Transfers were as follows:

	Transfer In	Transfer Out
General Fund	$ 140,000	$ 222,584
Water Fund	-	212,000
Sewer Fund	-	85,000
Equipment Reserve	182,584	-
Tourism and Convention	40,000	-
Storm Water Drain	-	5,000
Equipment Reserve Water	137,000	-
Equipment Reserve Sewer	25,000	-
Total Transfers	$ 524,584	$ 524,584

Note 9: Stewardship, Compliance and Accountability

The debt service fund and airport fund incurred more expense than was budgeted for the year ended December 31, 2007. The debt service fund was over-budget by $11,990 and the airport fund was over-budget by $243,149. The airport fund being over budget is a result of the Federal Aviation Administration (FAA) grant project not being budgeted due to the project being 95% funded by the FAA.

As of December 31, 2007, there was one budgeted fund, airport fund, which showed a deficit unencumbered cash balance of $64,311. This is a receivable to the City of Abilene from the FAA and is not a true unencumbered cash deficit. The balance owed to the City of Abilene was received in January 2008.

Note 10: Abilene Recreation Commission

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

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

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

SUPPLEMENTAL INFORMATION

CITY OF ABILENE, KANSAS
COMPOSITION OF ENDING CASH BALANCES
For the Year Ended December 31, 2007

Checking Accounts		
First National Bank, Abilene	$ 3,553,141	
First National Bank, Abilene, LLEBG	6,063	$ 3,559,204
Money Market Accounts		
First National Bank, Abilene		341,657
Savings Account		
First National Bank, Abilene - Bill Gravette Memorial		369
Certificates of Deposit		
Solomon State Bank, Abilene	$ 2,065,667	
First National Bank, Abilene	1,668,370	$ 3,734,037
Change Fund and Petty Cash		
City Treasurer	$ 250	
Police Department	100	
Recreation Commission	30	
Water Fund	250	630
		$ 7,635,897
Abilene Municipal Band		
Checking - First National Bank, Abilene	$ 2,598	
CD - First National Bank, Abilene	8,928	$ 11,526
Recreation Commission		458,941
Component Units		
Abilene Library		297,771
TOTAL CASH BALANCES		$ 8,404,135

Supplemental Information

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

September 8, 2008

Mayor and Commission Members
City of Abilene, Kansas

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

We have audited the financial statements of the City of Abilene, Kansas (the City) as of and for the year ended December 31, 2007 and have issued our report thereon dated September 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

Varney & Associates

Certified Public Accountants

September 8, 2008

Mayor and Commission Members
City of Abilene, Kansas

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

Compliance

We have audited the compliance of the City of Abilene, Kansas (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Abilene, Kansas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

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

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

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

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

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

Schedule of Expenditures of Federal Awards
We have audited the financial statements of the City of Abilene, Kansas as of and for the year ended December 31, 2007, and have issued our report thereon dated September 8, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Vonny & Armstrong

Certified Public Accountants

CITY OF ABILENE, KANSAS
SCHEDULE OF FEDERAL EXPENDITURES
For the Year Ended December 31, 2007

	Federal CFDA Number	Expenditures
Environmental Protection Agency		
Wastewater Treatment Plant	66.606	$ 396,664
Department of Transportation		
acting through the Federal Aviation Administration		
Rehabilitate T-Hangar Taxilanes	20.106*	305,380
Environmental Protection Agency		
through the Kansas Department of Health & Environment		
Capitalization Grants for State Revolving Funds	66.468*	6,210,604
TOTAL FEDERAL EXPENDITURES		$ 6,912,648

* *Major Programs*

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Abilene, Kansas and is presented on the cash basis of accounting. The cash basis is a summary of cash received and expended during the grant period extending from January 1, 2007 to December 31, 2007. Revenues are recognized when received and expenditures when paid rather than when earned and incurred as required by generally accepted accounting principles. Therefore, this statement is not intended to conform to generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF ABILENE, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal controls over major programs:		
Material weaknesses identified?	___ Yes	X No
Reportable conditions identified not considered to be material weaknesses?	___ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)?	___ Yes	X No

Identification of major programs:

Name of Federal program	CFDA Number
Wastewater Treatment Plant	66.606
Rehabilitate T-Hangar Taxilanes	20.106
Capitalization Grant for State Revolving Funds	66.458

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as a low-risk auditee?	___ Yes	X No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Supplemental Information

CITY OF ABILENE, KANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2007

There were no prior year findings.