

**CITY OF HORTON, KANSAS**

**Financial Statements**

**For the Year Ended December 31, 2006**

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CITY OF HORTON, KANSAS  
Financial Statements  
For the Year Ended December 31, 2006

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

Mayor and City Commission  
City of Horton, Kansas

We have audited the accompanying primary government financial statements of the City of Horton, Kansas (the City), as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Horton, Kansas. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Audit Guide." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The primary government financial statements referred to above do not include the financial data of component units of the City of Horton, Kansas as of December 31, 2006.

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

In our opinion, because of the omission of the financial data of component units of the City of Horton, Kansas, and, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Horton, Kansas, as of December 31, 2006, or the respective changes in financial position for the year then ended.

Also, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Horton, Kansas, as of December 31, 2006, and its cash receipts and expenditures by fund, and fund budget to actual comparisons, for the year then ended, taken as a whole, on the prescribed basis of accounting described in Note 1.

*Lowenthal, Singleton, Webb & Wilson*

Professional Association

April 4, 2007

CITY OF HORTON, KANSAS  
Summary of Cash Receipts, Expenditures and Unencumbered Cash  
For the Year Ended December 31, 2006

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 76,995	\$ -	\$1,016,491	\$1,050,662	\$ 42,824	\$ -	\$ 42,824
Special Revenue Funds:							
Industrial Fund	7,897	-	7,477	9,336	6,038	-	6,038
Special Highway Fund	49,894	-	53,605	48,285	55,214	-	55,214
Equipment Reserve Fund	3,475	-	5,000	-	8,475	-	8,475
Public Building Reserve Fund	2,314	-	5,000	3,960	3,354	-	3,354
State Grant Fund	[1,499]	-	1,500	1	-	-	-
Court Diversion Fund	4,988	-	7,090	1,931	10,147	-	10,147
Debt Service Fund:							
Bond and Interest Fund	1,343	-	22,921	23,891	373	-	373
Enterprise Funds:							
Water Fund	391,809	-	261,951	237,719	416,041	-	416,041
Water Improvement Fund	67,679	-	-	66,989	690	-	690
Sewer Fund	52,998	-	196,778	198,248	51,528	-	51,528
Sewer Improvement Fund	206,248	-	-	70,745	135,503	-	135,503
Electric Fund	855,555	-	1,438,391	1,206,787	1,087,159	37,874	1,125,033
Electric Project Fund	91,974	-	-	29,931	62,043	-	62,043
Solid Waste Fund	10,842	-	90,826	89,531	12,137	-	12,137
Private-Purpose Trust Funds	3,587	-	134	91	3,630	-	3,630
<b>Total Primary Government</b>	<b>\$ 1,826,099</b>	<b>\$ -</b>	<b>\$3,107,164</b>	<b>\$3,038,107</b>	<b>\$ 1,895,156</b>	<b>\$ 37,874</b>	<b>\$1,933,030</b>

## COMPOSITION OF CASH:

Horton National Bank:	
Checking	\$ 511,072
Certificates of Deposit	3,630
Union State Bank:	
Certificates of Deposit	100,000
United Bank of Kansas:	
Checking	29,818
Certificates of Deposit	200,000
State of Kansas Municipal Investment Pool	<u>1,088,203</u>
<b>Total Cash</b>	<b>1,932,723</b>
<b>Less: Agency Funds</b>	<u>307</u>
<b>Total (Excluding Agency Funds)</b>	<b><u>\$1,933,030</u></b>

STATEMENT 2

CITY OF HORTON, KANSAS  
 Summary of Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Positive [Negative]</u>
General Fund	\$ 1,076,272	\$ 37,743	\$ 1,114,015	\$ 1,050,662	\$ 63,353
Special Revenue Funds:					
Industrial	9,500	-	9,500	9,336	164
Special Highway	56,190	-	56,190	48,285	7,905
Equipment Reserve	11,000	-	11,000	-	11,000
Public Building Reserve	5,000	-	5,000	3,960	1,040
Court Diversion	2,500	-	2,500	1,931	569
Debt Service Fund:					
Bond and Interest	27,703	-	27,703	23,891	3,812
Enterprise Funds:					
Water	255,115	-	255,115	237,719	17,396
Sewer	218,800	-	218,800	198,248	20,552
Electric	1,303,210	-	1,303,210	1,206,787	96,423
Solid Waste	90,000	-	90,000	89,531	469

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

CITY OF HORTON, KANSAS  
 General Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Amounts For the Year Ended December 31, 2005)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 565,825	\$ 594,394	\$ 617,440	\$ [23,046]
Intergovernmental	19,702	19,716	16,764	2,952
Franchise tax	62,498	66,909	66,000	909
Licenses	2,149	2,728	5,700	[2,972]
Fines and fees	55,263	67,235	118,500	[51,265]
Interest	36,495	77,199	20,000	57,199
Use of property	3,082	1,285	3,000	[1,715]
Charges for services	71,133	68,769	-	68,769
Grants	3,430	3,430	-	3,430
Transfer in	236,958	77,083	185,000	[107,917]
Reimbursement	24,823	37,743	20,000	17,743
Total Cash Receipts	<u>1,081,358</u>	<u>1,016,491</u>	<u>\$ 1,052,404</u>	<u>\$ [35,913]</u>
Expenditures and Transfers Subject to Budget				
General Government				
Personnel	145,306	164,548	\$ 173,552	\$ 9,004
Contractual services	59,402	59,549	66,150	6,601
Commodities	15,052	19,154	16,400	[2,754]
Capital outlay	2,846	-	5,000	5,000
Miscellaneous	10,265	5,571	-	[5,571]
Debt service	-	-	3,000	3,000
Law Enforcement				
Personnel	318,278	320,929	331,710	10,781
Contractual services	138,236	122,793	46,300	[76,493]
Commodities	59,873	58,941	46,800	[12,141]
Capital outlay	11,123	10,824	21,000	10,176
Debt service	-	-	34,700	34,700
Parks and Recreation				
Personnel	30,179	33,463	20,585	[12,878]
Contractual services	26,971	4,599	22,600	18,001
Commodities	35,851	33,998	19,900	[14,098]
Capital outlay	8,839	8,638	12,500	3,862

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

CITY OF HORTON, KANSAS  
General Fund (Continued)  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2006  
(With Comparative Actual Amounts For the Year Ended December 31, 2005)

	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Streets				
Personnel	\$ 90,242	\$ 88,633	\$ 91,675	\$ 3,042
Contractual services	19,879	24,026	27,000	2,974
Commodities	49,474	58,897	33,000	[25,897]
Capital outlay	22,677	13,697	30,000	16,303
Library	-	-	38,000	38,000
Contractual services	-	-	2,000	2,000
Capital outlay				
Building Demolition	-	-	10,000	10,000
Cemetery	11,019	10,164	10,000	[164]
Airport	2,315	2,238	2,200	[38]
Firing range	-	-	2,200	2,200
Transfer out	10,000	10,000	10,000	-
Adjustment for qualifying budget credit	-	-	37,743	37,743
	<u>1,067,827</u>	<u>1,050,662</u>	<u>\$ 1,114,015</u>	<u>\$ 63,353</u>
Total Expenditures and Transfers Subject to Budget				
Receipts Over [Under] Expenditures	13,531	[34,171]		
Unencumbered Cash, Beginning	<u>63,464</u>	<u>76,995</u>		
Unencumbered Cash, Ending	<u>\$ 76,995</u>	<u>\$ 42,824</u>		

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

CITY OF HORTON, KANSAS  
 Industrial Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Amounts For the Year Ended December 31, 2005)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 4,061	\$ 7,477	\$ 8,185	\$ [708]
Total Cash Receipts	<u>4,061</u>	<u>7,477</u>	<u>\$ 8,185</u>	<u>\$ [708]</u>
Expenditures and Transfers Subject to Budget				
Contractual	-	-	\$ 6,500	\$ 6,500
Commodities	<u>3,000</u>	<u>9,336</u>	<u>3,000</u>	<u>[6,336]</u>
Total Expenditures and Transfers Subject to Budget	<u>3,000</u>	<u>9,336</u>	<u>\$ 9,500</u>	<u>\$ 164</u>
Receipts Over [Under] Expenditures	1,061	[1,859]		
Unencumbered Cash, Beginning	<u>6,836</u>	<u>7,897</u>		
Unencumbered Cash, Ending	<u>\$ 7,897</u>	<u>\$ 6,038</u>		

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

CITY OF HORTON, KANSAS  
Special Highway Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2006  
(With Comparative Actual Amounts For the Year Ended December 31, 2005)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 54,747	\$ 53,605	\$ 56,190	\$ [2,585]
Intergovernmental	1,263	-	-	-
Total Cash Receipts	<u>56,010</u>	<u>53,605</u>	<u>\$ 56,190</u>	<u>\$ [2,585]</u>
Expenditures and Transfers Subject to Budget				
Contractual	35,895	39,728	\$ 30,000	\$ [9,728]
Commodities	19,598	8,557	20,000	11,443
Capital outlay	-	-	6,190	6,190
Total Expenditures and Transfers Subject to Budget	<u>55,493</u>	<u>48,285</u>	<u>\$ 56,190</u>	<u>\$ 7,905</u>
Receipts Over [Under] Expenditures	517	5,320		
Unencumbered Cash, Beginning	<u>49,377</u>	<u>49,894</u>		
Unencumbered Cash, Ending	<u>\$ 49,894</u>	<u>\$ 55,214</u>		

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

CITY OF HORTON, KANSAS  
 Equipment Reserve Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Amounts For the Year Ended December 31, 2005)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Transfer in	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Total Cash Receipts	<u>5,000</u>	<u>5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
Expenditures and Transfers Subject to Budget				
Commodities	<u>7,888</u>	<u>-</u>	<u>\$ 11,000</u>	<u>\$ 11,000</u>
Total Expenditures and Transfers Subject to Budget	<u>7,888</u>	<u>-</u>	<u>\$ 11,000</u>	<u>\$ 11,000</u>
Receipts Over [Under] Expenditures	[2,888]	5,000		
Unencumbered Cash, Beginning	<u>6,363</u>	<u>3,475</u>		
Unencumbered Cash, Ending	<u>\$ 3,475</u>	<u>\$ 8,475</u>		

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

STATEMENT 3-5

CITY OF HORTON, KANSAS  
 Public Building Reserve Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Amounts For the Year Ended December 31, 2005)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Transfer in	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Total Cash Receipts	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>\$ -</u>
Expenditures and Transfers Subject to Budget				
Commodities	<u>2,749</u>	<u>3,960</u>	\$ 5,000	\$ 1,040
Total Expenditures and Transfers Subject to Budget	<u>2,749</u>	<u>3,960</u>	<u>\$ 5,000</u>	<u>\$ 1,040</u>
Receipts Over [Under] Expenditures	2,251	1,040		
Unencumbered Cash, Beginning	<u>63</u>	<u>2,314</u>		
Unencumbered Cash, Ending	<u>\$ 2,314</u>	<u>\$ 3,354</u>		

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

CITY OF HORTON, KANSAS  
 State Grant Fund  
 Statement of Cash Receipts and Expenditures - Actual\*  
 For the Year Ended December 31, 2006 and 2005

	Year Ended December 31,	
	<u>2006</u>	<u>2005</u>
Cash Receipts		
Grants	\$ 1,500	\$ 7,649
Total Cash Receipts	<u>1,500</u>	<u>7,649</u>
Expenditures and Transfers		
Commodities	<u>1</u>	<u>10,355</u>
Total Expenditures and Transfers	<u>1</u>	<u>10,355</u>
Receipts Over [Under] Expenditures	1,499	[2,706]
Unencumbered Cash, Beginning	<u>[1,499]</u>	<u>1,207</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ [1,499]</u>

\* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS  
 Court Diversion Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Amounts For the Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 4,434	\$ 7,090	\$ 2,500	\$ 4,590
Total Cash Receipts	<u>4,434</u>	<u>7,090</u>	<u>\$ 2,500</u>	<u>\$ 4,590</u>
Expenditures and Transfers Subject to Budget				
Commodities	3,325	-	\$ 1,600	\$ 1,600
Contract services	-	-	400	400
Capital outlay	<u>2,981</u>	<u>1,931</u>	<u>500</u>	<u>[1,431]</u>
Total Expenditures and Transfers Subject to Budget	<u>6,306</u>	<u>1,931</u>	<u>\$ 2,500</u>	<u>\$ 569</u>
Receipts Over [Under] Expenditures	[1,872]	5,159		
Unencumbered Cash, Beginning	<u>6,860</u>	<u>4,988</u>		
Unencumbered Cash, Ending	<u>\$ 4,988</u>	<u>\$ 10,147</u>		

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

CITY OF HORTON, KANSAS  
 Bond and Interest Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Amounts For the Year Ended December 31, 2005)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 22,823	\$ 22,921	\$ 24,961	\$ [2,040]
Total Cash Receipts	<u>22,823</u>	<u>22,921</u>	<u>\$ 24,961</u>	<u>\$ [2,040]</u>
Expenditures and Transfers Subject to Budget				
Principal	20,000	22,000	\$ 25,000	\$ 3,000
Interest	2,248	1,886	1,888	2
Fees	-	5	815	810
Total Expenditures and Transfers Subject to Budget	<u>22,248</u>	<u>23,891</u>	<u>\$ 27,703</u>	<u>\$ 3,812</u>
Receipts Over [Under] Expenditures	575	[970]		
Unencumbered Cash, Beginning	<u>768</u>	<u>1,343</u>		
Unencumbered Cash, Ending	<u>\$ 1,343</u>	<u>\$ 373</u>		

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

CITY OF HORTON, KANSAS  
Water Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2006  
(With Comparative Actual Amounts For the Year Ended December 31, 2005)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 256,818	\$ 260,931	\$ 255,120	\$ 5,811
Miscellaneous	5,196	1,020	-	1,020
Total Cash Receipts	<u>262,014</u>	<u>261,951</u>	<u>\$ 255,120</u>	<u>\$ 6,831</u>
Expenditures and Transfers Subject to Budget				
Personnel	92,459	92,986	\$ 93,016	\$ 30
Contractual	41,566	76,883	134,946	58,063
Commodities	29,319	36,235	-	[36,235]
Capital outlay	9,707	31,615	-	[31,615]
Debt service	-	-	27,153	27,153
Transfer out	67,375	-	-	-
Total Expenditures and Transfers Subject to Budget	<u>240,426</u>	<u>237,719</u>	<u>\$ 255,115</u>	<u>\$ 17,396</u>
Receipts Over [Under] Expenditures	21,588	24,232		
Unencumbered Cash, Beginning	<u>370,221</u>	<u>391,809</u>		
Unencumbered Cash, Ending	<u>\$ 391,809</u>	<u>\$ 416,041</u>		

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

CITY OF HORTON, KANSAS  
 Water Improvement Fund  
 Statement of Cash Receipts and Expenditures - Actual\*  
 For the Year Ended December 31, 2006 and 2005

	Year Ended December 31,	
	<u>2006</u>	<u>2005</u>
Cash Receipts		
Intergovernmental	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures and Transfers Subject to Budget		
Contractual	5,378	4,028
Commodities	1,473	1,358
Capital outlay	57,138	0
Debt service	<u>3,000</u>	<u>29,633</u>
Total Expenditures and Transfers Subject to Budget	<u>66,989</u>	<u>35,019</u>
Receipts Over [Under] Expenditures	[66,989]	[35,019]
Unencumbered Cash, Beginning	<u>67,679</u>	<u>102,698</u>
Unencumbered Cash, Ending	<u>\$ 690</u>	<u>\$ 67,679</u>

\* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS  
Sewer Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2006  
(With Comparative Actual Amounts For the Year Ended December 31, 2005)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 190,957	\$ 196,778	\$ 218,000	\$ [21,222]
Total Cash Receipts	<u>190,957</u>	<u>196,778</u>	<u>\$ 218,000</u>	<u>\$ [21,222]</u>
Expenditures and Transfers Subject to Budget				
Personnel	77,487	88,871	\$ 74,400	\$ [14,471]
Contractual	24,246	35,467	66,000	30,533
Commodities	23,856	23,474	-	[23,474]
Capital outlay	9,268	10,403	38,000	27,597
Debt service	<u>19,358</u>	<u>40,033</u>	<u>40,400</u>	<u>367</u>
Total Expenditures and Transfers Subject to Budget	<u>154,215</u>	<u>198,248</u>	<u>\$ 218,800</u>	<u>\$ 20,552</u>
Receipts Over [Under] Expenditures	36,742	[1,470]		
Unencumbered Cash, Beginning	<u>16,256</u>	<u>52,998</u>		
Unencumbered Cash, Ending	<u>\$ 52,998</u>	<u>\$ 51,528</u>		

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

CITY OF HORTON, KANSAS  
Sewer Improvement Fund  
Statement of Cash Receipts and Expenditures - Actual\*  
For the Year Ended December 31, 2006 and 2005

	Year Ended December 31,	
	<u>2006</u>	<u>2005</u>
Cash Receipts		
Bond proceeds	\$ -	\$ 300,000
Total Cash Receipts	<u>-</u>	<u>300,000</u>
Expenditures and Transfers Subject to Budget		
Commodities	2,882	4,440
Contractual services	313	-
Capital outlay	<u>67,550</u>	<u>89,312</u>
Total Expenditures and Transfers Subject to Budget	<u>70,745</u>	<u>93,752</u>
Receipts Over [Under] Expenditures	[70,745]	206,248
Unencumbered Cash, Beginning	<u>206,248</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 135,503</u>	<u>\$ 206,248</u>

\* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS  
 Electric Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Amounts For the Year Ended December 31, 2005)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 1,405,405	\$ 1,438,391	\$ 1,303,600	\$ 134,791
Total Cash Receipts	<u>1,405,405</u>	<u>1,438,391</u>	<u>\$ 1,303,600</u>	<u>\$ 134,791</u>
Expenditures and Transfers Subject to Budget				
Personnel	179,241	188,030	\$ 191,398	\$ 3,368
Contractual	98,445	88,028	-	[88,028]
Commodities	620,236	682,528	761,430	78,902
Capital outlay	22,394	4,647	-	[4,647]
Transfer out	169,583	77,083	185,000	107,917
Debt service	<u>167,488</u>	<u>166,471</u>	<u>165,382</u>	<u>[1,089]</u>
Total Expenditures and Transfers Subject to Budget	<u>1,257,387</u>	<u>1,206,787</u>	<u>\$ 1,303,210</u>	<u>\$ 96,423</u>
Receipts Over [Under] Expenditures	148,018	231,604		
Unencumbered Cash, Beginning	<u>707,537</u>	<u>855,555</u>		
Unencumbered Cash, Ending	<u>\$ 855,555</u>	<u>\$ 1,087,159</u>		

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

CITY OF HORTON, KANSAS  
 Electric Project Fund  
 Statement of Cash Receipts and Expenditures - Actual\*  
 For the Year Ended December 31, 2006 and 2005

	Year Ended December 31,	
	<u>2006</u>	<u>2005</u>
Cash Receipts		
Intergovernmental	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures and Transfers Subject to Budget		
Contractual	29,931	6,287
Capital outlay	-	46,078
Total Expenditures and Transfers Subject to Budget	<u>29,931</u>	<u>52,365</u>
Receipts Over [Under] Expenditures	[29,931]	[52,365]
Unencumbered Cash, Beginning	<u>91,974</u>	<u>144,339</u>
Unencumbered Cash, Ending	<u>\$ 62,043</u>	<u>\$ 91,974</u>

\* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS  
 Solid Waste Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2006  
 (With Comparative Actual Amounts For the Year Ended December 31, 2005)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 85,973	\$ 90,826	\$ 90,000	\$ 826
Total Cash Receipts	<u>85,973</u>	<u>90,826</u>	<u>\$ 90,000</u>	<u>\$ 826</u>
Expenditures and Transfers Subject to Budget				
Contractual	74,479	83,025	\$ 88,500	\$ 5,475
Commodities	7,001	-	1,500	1,500
Capital outlay	-	6,506	-	[6,506]
Total Expenditures and Transfers Subject to Budget	<u>81,480</u>	<u>89,531</u>	<u>\$ 90,000</u>	<u>\$ 469</u>
Receipts Over [Under] Expenditures	4,493	1,295		
Unencumbered Cash, Beginning	<u>6,349</u>	<u>10,842</u>		
Unencumbered Cash, Ending	<u>\$ 10,842</u>	<u>\$ 12,137</u>		

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

CITY OF HORTON, KANSAS  
Statement of Cash, Cash Receipts and Disbursements  
Agency Funds  
For the Year Ended December 31, 2006

<u>FUNDS</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Industrial Revenue Bond Tax	\$ -	\$ 468	\$ 468	\$ -
Payroll Clearing	<u>970</u>	<u>-</u>	<u>1,277</u>	<u>[307]</u>
Total Agency Funds	<u>\$ 970</u>	<u>\$ 468</u>	<u>\$ 1,745</u>	<u>\$ [307]</u>

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

STATEMENT 5

CITY OF HORTON, KANSAS  
 Summary of Cash Receipts, Expenditures and Unencumbered Cash  
 Private-Purpose Trust Funds  
 For the Year Ended December 31, 2006

<u>FUNDS</u>	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Schneider Poor	\$ 2,428	\$ -	\$ 91	\$ 91	\$ 2,428	\$ -	\$ 2,428
Cemetery Memorial	1,159	-	43	-	1,202	-	1,202
Total Private-Purpose Trust Fund	<u>\$ 3,587</u>	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ 91</u>	<u>\$ 3,630</u>	<u>\$ -</u>	<u>\$ 3,630</u>

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2006

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Horton (the City) is a municipal corporation governed by an elected five member commission. These financial statements present the City (the primary government) and exclude all component units of which the City appointed a voting majority of the unit's board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. These financial statements of the City consist only of the funds of the primary government.

*Component Units that are not Discretely Presented*

The Horton Free Public Library (Library) serves the citizens within the City's jurisdiction. Acquisition or disposition of real property by the Library must be approved by the City. Bond issues must be approved by the City. The Library has a December 31st year end. Financial statements for the Library may be obtained at the Horton Free Public Library, 809 1st, Horton, Kansas.

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

Basis of Accounting

These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

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

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

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

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

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Fund Descriptions

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

Governmental Fund Types

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

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

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

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

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

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

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information

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

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

The statutes allow for the city commission to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The 2006 budget was not amended.

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

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

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

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

NOTE 2 - Deposits

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

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

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

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2006

NOTE 2 - Deposits (Continued)

At December 31, 2006, the City has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool	\$ <u>1,088,203</u>	S&P AA+/S1+

At December 31, 2006, the City had invested \$1,088,203 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

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

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

NOTE 3 - Retirement Plan

**Plan Description** - The City participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to KPERs (611 South Kansas Avenue, Topeka, Kansas 66603) or by calling 1-888-275-5737.

**Funding Policy** - K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The employer rate was 4.61% from January 1 to June 30, 2006 and 4.81% from July 1 to December 31, 2006. The City employer contributions to KPERs for the years ending December 31, 2006, 2005, and 2004 were \$27,316, \$24,106, and \$22,273, respectively, equal to the required contributions for each year.

NOTE 4 - Compensated Absences

The City allows certain employees to carryover some of their unused vacation days from one year to the next. These are paid upon termination or retirement if not used. The amount of vacation pay available for use at December 31, 2006, is \$23,547.

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2006

NOTE 5 - Related Party Transactions

The City paid \$28 during the year ended December 31, 2006, for gun service, to a company owned by a City commissioner.

The City also paid \$3,808 during the year ended December 31, 2006, for parts, to a company owned by an employees' family member.

NOTE 6 - Long-Term Debt

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
Improvements	5/2/2005	12/1/2020	3.00 to 4.25%	\$ 300,000	\$ 285,000
Refunding	4/11/2003	12/1/2022	1.25 to 4.75%	615,000	<u>445,000</u>
					<u>\$ 730,000</u>

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

<u>Year Ending December 31,</u>	<u>Enterprise Funds</u>
2007	\$ 88,588
2008	86,998
2009	60,235
2010	64,580
2011	63,695
2012-2016	299,373
2017-2020	<u>321,178</u>
Total Principal and Interest	984,648
Less: Interest	<u>254,648</u>
Total	<u>\$ 730,000</u>

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
Electric fund refunding bonds	4/1/1999	10/1/2008	4.0 to 4.7%	\$ 510,000	\$ 120,000
Electric fund refunding bonds	3/1/2002	10/1/2022	4.1 to 5.35%	1,700,000	<u>1,700,000</u>
					<u>\$ 1,820,000</u>

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2006

NOTE 6 - Long-Term Debt (Continued)

Revenue bond debt service requirements to maturity:

<u>Year Ending December 31,</u>	
2007	\$ 171,464
2008	172,869
2009	168,986
2010	170,268
2011	171,218
2012-2016	857,893
2017-2021	828,235
2022	<u>168,560</u>
Total Principal and Interest	2,709,491
Less: Interest	<u>889,491</u>
Total	<u>\$ 1,820,000</u>

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

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006, were as follows:

<u>Year Ending December 31,</u>	
2007	\$ 62,605
2008	48,360
2009	38,882
2010	34,646
2011	<u>3,867</u>
Total minimum lease payments	188,360
Less: amount representing interest	<u>18,641</u>

Present value of minimum lease payments    \$ 169,719

Following is a summary of changes in long-term debt for the year ended December 31, 2006:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Adjustments/ Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Revenue Bonds	\$ 1,875,000	\$ -	\$ 55,000	\$ 1,820,000
General Obligation Bonds	790,000	-	60,000	730,000
Capital Leases	<u>163,477</u>	<u>67,000</u>	<u>60,758</u>	<u>169,719</u>
Total	<u>\$ 2,828,477</u>	<u>\$ 67,000</u>	<u>\$ 175,758</u>	<u>\$ 2,719,719</u>

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2006

NOTE 7 - Risk Management

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

NOTE 8 - Interfund Transfers

A reconciliation of operating transfers by fund type for 2006 follows:

Fund	To	From
General	\$ 77,083	\$ 10,000
Equipment Reserve	5,000	-
Public Building Reserve	5,000	-
Electric	-	77,083
	<u>          </u>	<u>          </u>
Total	<u>\$ 87,083</u>	<u>\$ 87,083</u>

NOTE 9- Revenue Bond Requirements

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

Reserved for revenue bond principal and interest	\$ 42,866
Reserved for depreciation and repair	<u>198,376</u>
Total reservations as required by bond covenants	<u>\$ 241,242</u>

Rate coverage met bond covenant requirements.

The number of customers served by the electricity system at January 1, 2006 was 998 and 967 at December 31, 2006. The following is a summary of insurance coverage carried on the City's property:

<u>Carrier</u>	<u>Type</u>	<u>Coverage</u>	<u>Premium</u>
EMC Insurance Company Term: 4/1/06 to 4/1/07	Commercial Property	\$6,229,444 Aggregate Limit	\$ 21,139
EMC Insurance Company Term: 4/1/06 to 4/1/07	Inland Marine	\$193,885 Aggregate Limit	2,037
EMC Insurance Company Term: 4/1/06 to 4/1/07	Liability	\$1,000,000 Aggregate Limit \$500,000 Per Occurrence	5,137
EMC Insurance Company Term: 4/1/06 to 4/1/07	Commercial Output	\$7,754,106 Aggregate Limit	21,775
EMC Insurance Company Term: 4/1/06 to 4/1/07	Linebacker	\$1,000,000 Aggregate Limit \$1,000,000 Per Occurrence	2,770

Similar coverage was in place prior to April 1, 2006.

