

CITY OF HORTON, KANSAS

Financial Statements

For the Year Ended December 31, 2004

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CITY OF HORTON, KANSAS
Financial Statements
For the Year Ended December 31, 2004

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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, 2004, 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 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, 2004.

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, 2004, 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, 2004, and its cash receipts and expenditures, for the year then ended on the basis of accounting described in Note 1.

Lowenthal, Singleton, Webb & Wilson

Professional Association

January 26, 2005

CITY OF HORTON, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2004

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	\$ 36,504	\$ -	\$ 1,004,968	\$ 978,008	\$ 63,464	\$ 2,864	\$ 66,328
Special Revenue Funds:							
Industrial Fund	12,855	-	4,181	10,200	6,836	-	6,836
Special Highway Fund	27,883	-	53,402	31,908	49,377	-	49,377
Equipment Reserve Fund	1,363	-	5,000	-	6,363	-	6,363
Public Building Reserve Fund	673	-	5,000	5,610	63	-	63
State Grant Fund	8,061	-	40,357	47,211	1,207	-	1,207
Court Diversion Fund	5,606	-	2,550	1,296	6,860	-	6,860
Firing Range Fund	[69,214]	-	110,334	41,120	-	-	-
Debt Service Fund:							
Bond and Interest Fund	44	-	21,741	21,017	768	-	768
Enterprise Funds:							
Water Fund	342,004	-	272,244	244,027	370,221	418	370,639
Water Improvement Fund	232,190	-	164,089	293,581	102,698	-	102,698
Sewer Fund	51,396	-	170,544	205,684	16,256	557	16,813
Electric Fund	663,802	-	1,319,141	1,275,406	707,537	34,713	742,250
Electric Project Fund	402,630	-	-	258,291	144,339	-	144,339
Solid Waste Fund	4,474	-	82,040	80,165	6,349	-	6,349
Private-Purpose Trust Funds	3,548	-	59	40	3,567	-	3,567
Total Primary Government	\$ 1,723,819	\$ -	\$ 3,255,650	\$ 3,493,564	\$ 1,485,905	\$ 38,552	\$ 1,524,457

COMPOSITION OF CASH:

Horton National Bank:	
Checking	\$ 384,780
Certificates of Deposit	3,567
United Bank of Kansas:	
Checking	31,086
Certificates of Deposit	200,000
State of Kansas Municipal Investment Pool	905,131
Total Cash	1,524,564
Less: Agency Funds	[107]
Total (Excluding Agency Funds)	\$ 1,524,457

STATEMENT 2

CITY OF HORTON, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2004

<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	\$ 1,092,409	\$ -	\$ 1,092,409	\$ 978,008	\$ 114,401
Special Revenue Funds:					
Industrial	13,800	-	13,800	10,200	3,600
Special Highway	32,000	-	32,000	31,908	92
Equipment Reserve	5,000	-	5,000	-	5,000
Public Building Reserve	10,000	-	10,000	5,610	4,390
Court Diversion	2,500	-	2,500	1,296	1,204
Debt Service Fund:					
Bond and Interest	22,533	-	22,533	21,017	1,516
Enterprise Funds:					
Water	262,915	-	262,915	244,027	18,888
Sewer	213,837	-	213,837	205,684	8,153
Electric	1,663,910	-	1,663,910	1,275,406	388,504
Solid Waste	83,000	-	83,000	80,165	2,835

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, 2004
 (With Comparative Actual Amounts For the Year Ended December 31, 2003)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 442,578	\$ 514,814	\$ 498,338	\$ 16,476
Intergovernmental	19,716	22,085	-	22,085
Franchise tax	50,811	67,947	66,000	1,947
Licenses	2,541	1,951	1,000	951
Fines and fees	39,961	39,389	128,050	[88,661]
Interest	22,478	16,542	40,000	[23,458]
Use of property	2,270	3,225	2,500	725
Charges for services	71,900	69,639	13,800	55,839
Grants	595	-	-	-
Transfer in	185,000	232,500	279,000	[46,500]
Miscellaneous	30,198	36,876	20,000	16,876
Total Cash Receipts	868,048	1,004,968	\$ 1,048,688	\$ [43,720]
Expenditures and Transfers Subject to Budget				
General Government				
Personnel	167,006	151,862	\$ 193,924	\$ 42,062
Contractual services	39,740	56,751	56,940	189
Commodities	12,784	10,523	14,175	3,652
Capital outlay	4,897	-	9,500	9,500
Miscellaneous	3,628	6,467	-	[6,467]
Law Enforcement				
Personnel	302,951	281,795	306,415	24,620
Contractual services	107,064	82,359	35,300	1,247
Commodities	65,710	55,551	53,000	[29,359]
Capital outlay	15,155	34,053	60,200	4,649
Parks and Recreation				
Personnel	42,858	28,657	29,700	1,043
Contractual services	7,435	18,827	7,600	[39,679]
Commodities	23,579	47,279	33,800	14,973
Capital outlay	6,750	1,362	20,180	18,818

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, 2004
(With Comparative Actual Amounts For the Year Ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Streets				
Personnel	\$ -	\$ 76,066	\$ 86,525	\$ 10,459
Contractual services	21,888	18,673	21,200	2,527
Commodities	36,607	36,544	26,000	[10,544]
Capital outlay	26,241	50,226	67,150	16,924
Building Demolition	-	-	10,000	10,000
General operating	-	-	35,000	35,000
Cemetery	8,599	8,882	13,600	4,718
Airport	2,166	2,131	2,200	69
Transfer out	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
 Total Expenditures and Transfers Subject to Budget	 <u>905,058</u>	 <u>978,008</u>	 <u>\$ 1,092,409</u>	 <u>\$ 114,401</u>
 Receipts Over [Under] Expenditures	 [37,010]	 26,960		
 Unencumbered Cash, Beginning	 <u>73,514</u>	 <u>36,504</u>		
 Unencumbered Cash, Ending	 <u>\$ 36,504</u>	 <u>\$ 63,464</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, 2004
 (With Comparative Actual Amounts For the Year Ended December 31, 2003)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 2,388	\$ 4,181	\$ 4,359	\$ [178]
Total Cash Receipts	<u>2,388</u>	<u>4,181</u>	<u>\$ 4,359</u>	<u>\$ [178]</u>
Expenditures and Transfers Subject to Budget				
Contractual	-	-	\$ 3,500	\$ 3,500
Commodities	3,966	10,200	7,000	[3,200]
Capital outlay	-	-	3,300	3,300
Total Expenditures and Transfers Subject to Budget	<u>3,966</u>	<u>10,200</u>	<u>\$ 13,800</u>	<u>\$ 3,600</u>
Receipts Over [Under] Expenditures	[1,578]	[6,019]		
Unencumbered Cash, Beginning	<u>14,433</u>	<u>12,855</u>		
Unencumbered Cash, Ending	<u>\$ 12,855</u>	<u>\$ 6,836</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, 2004
 (With Comparative Actual Amounts For the Year Ended December 31, 2003)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 53,154	\$ 53,402	\$ 53,000	\$ 402
Intergovernmental	94,655	-	-	-
Total Cash Receipts	<u>147,809</u>	<u>53,402</u>	<u>\$ 53,000</u>	<u>\$ 402</u>
Expenditures and Transfers Subject to Budget				
Commodities	81,920	31,908	\$ 32,000	\$ 92
Total Expenditures and Transfers Subject to Budget	<u>81,920</u>	<u>31,908</u>	<u>\$ 32,000</u>	<u>\$ 92</u>
Receipts Over [Under] Expenditures	65,889	21,494		
Unencumbered Cash, Beginning	<u>[38,006]</u>	<u>27,883</u>		
Unencumbered Cash, Ending	<u>\$ 27,883</u>	<u>\$ 49,377</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, 2004
 (With Comparative Actual Amounts For the Year Ended December 31, 2003)

	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	18,637	-	\$ 5,000	\$ 5,000
Total Expenditures and Transfers Subject to Budget	<u>18,637</u>	<u>-</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Receipts Over [Under] Expenditures	[13,637]	5,000		
Unencumbered Cash, Beginning	<u>15,000</u>	<u>1,363</u>		
Unencumbered Cash, Ending	<u>\$ 1,363</u>	<u>\$ 6,363</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, 2004
 (With Comparative Actual Amounts For the Year Ended December 31, 2003)

	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	9,327	5,610	\$ 10,000	\$ 4,390
Total Expenditures and Transfers Subject to Budget	<u>9,327</u>	<u>5,610</u>	<u>\$ 10,000</u>	<u>\$ 4,390</u>
Receipts Over [Under] Expenditures	[4,327]	[610]		
Unencumbered Cash, Beginning	<u>5,000</u>	<u>673</u>		
Unencumbered Cash, Ending	<u>\$ 673</u>	<u>\$ 63</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, 2004 and 2003

	Year Ended December 31,	
	<u>2004</u>	<u>2003</u>
Cash Receipts		
Grants	\$ 40,357	\$ 81,875
Total Cash Receipts	<u>40,357</u>	<u>81,875</u>
Expenditures and Transfers		
Commodities	<u>47,211</u>	<u>73,814</u>
Total Expenditures and Transfers	<u>47,211</u>	<u>73,814</u>
Receipts Over [Under] Expenditures	[6,854]	8,061
Unencumbered Cash, Beginning	<u>8,061</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 1,207</u>	<u>\$ 8,061</u>

* - This fund is not required to be budgeted.

STATEMENT 3-7

CITY OF HORTON, KANSAS
 Court Diversion Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Amounts For the Year Ended December 31, 2003)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 3,000	\$ 2,550	\$ 2,500	\$ 50
Total Cash Receipts	<u>3,000</u>	<u>2,550</u>	<u>\$ 2,500</u>	<u>\$ 50</u>
Expenditures and Transfers Subject to Budget				
Contractual	-	-	\$ 400	\$ 400
Commodities	595	1,296	1,600	304
Capital outlay	-	-	500	500
Total Expenditures and Transfers Subject to Budget	<u>595</u>	<u>1,296</u>	<u>\$ 2,500</u>	<u>\$ 1,204</u>
Receipts Over [Under] Expenditures	2,405	1,254		
Unencumbered Cash, Beginning	<u>3,201</u>	<u>5,606</u>		
Unencumbered Cash, Ending	<u>\$ 5,606</u>	<u>\$ 6,860</u>		

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

CITY OF HORTON, KANSAS
 Firing Range Fund
 Statement of Cash Receipts and Expenditures - Actual*
 For the Year Ended December 31, 2004 and 2003

	Year Ended December 31,	
	2004	2003
Cash Receipts		
Grants	\$ 110,334	\$ 42,680
Total Cash Receipts	110,334	42,680
 Expenditures and Transfers		
Commodities	41,120	128,587
Total Expenditures and Transfers	41,120	128,587
 Receipts Over [Under] Expenditures	69,214	[85,907]
 Unencumbered Cash, Beginning	[69,214]	16,693
 Unencumbered Cash, Ending	\$ -	\$ [69,214]

* - This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
 Bond and Interest Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Amounts For the Year Ended December 31, 2003)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Taxes	\$ 20,155	\$ 21,741	\$ 22,299	\$ [558]
Total Cash Receipts	<u>20,155</u>	<u>21,741</u>	<u>\$ 22,299</u>	<u>\$ [558]</u>
Expenditures and Transfers Subject to Budget				
Principal	20,000	20,000	\$ 20,000	\$ -
Interest	6,778	1,017	2,528	1,511
Fees	5	-	5	5
Total Expenditures and Transfers Subject to Budget	<u>26,783</u>	<u>21,017</u>	<u>\$ 22,533</u>	<u>\$ 1,516</u>
Receipts Over [Under] Expenditures	[6,628]	724		
Unencumbered Cash, Beginning	<u>6,672</u>	<u>44</u>		
Unencumbered Cash, Ending	<u>\$ 44</u>	<u>\$ 768</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, 2004
 (With Comparative Actual Amounts For the Year Ended December 31, 2003)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges to customers	\$ 266,319	\$ 270,193	\$ 260,000	\$ 10,193
Miscellaneous	6,178	2,051	-	2,051
Total Cash Receipts	<u>272,497</u>	<u>272,244</u>	<u>\$ 260,000</u>	<u>\$ 12,244</u>
Expenditures and Transfers Subject to Budget				
Personnel	109,673	111,289	\$ 100,400	\$ [10,889]
Contractual	37,430	55,127	162,515	107,388
Commodities	39,755	39,192	-	[39,192]
Capital outlay	9,118	21,752	-	[21,752]
Transfer out	20,000	16,667	-	[16,667]
Total Expenditures and Transfers Subject to Budget	<u>215,976</u>	<u>244,027</u>	<u>\$ 262,915</u>	<u>\$ 18,888</u>
Receipts Over [Under] Expenditures	56,521	28,217		
Unencumbered Cash, Beginning	280,333	342,004		
Prior period adjustment	<u>5,150</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 342,004</u>	<u>\$ 370,221</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, 2004 and 2003

	Year Ended December 31,	
	<u>2004</u>	<u>2003</u>
Cash Receipts		
Intergovernmental	\$ 164,089	\$ 146,618
Bond proceeds	-	615,000
Total Cash Receipts	<u>164,089</u>	<u>761,618</u>
Expenditures and Transfers Subject to Budget		
Contractual	268,458	223,195
Commodities	2,218	-
Capital outlay	3,646	20,112
Debt service	19,259	280,971
Total Expenditures and Transfers Subject to Budget	<u>293,581</u>	<u>524,278</u>
Receipts Over [Under] Expenditures	[129,492]	237,340
Unencumbered Cash, Beginning	232,190	-
Prior period adjustment	-	[5,150]
Unencumbered Cash, Ending	<u>\$ 102,698</u>	<u>\$ 232,190</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, 2004
(With Comparative Actual Amounts For the Year Ended December 31, 2003)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges to customers	\$ 145,843	\$ 153,877	\$ 155,000	\$ [1,123]
Transfers in	20,000	16,667	20,000	[3,333]
Total Cash Receipts	<u>165,843</u>	<u>170,544</u>	<u>\$ 175,000</u>	<u>\$ [4,456]</u>
Expenditures and Transfers Subject to Budget				
Personnel	104,008	99,599	\$ 104,270	\$ 4,671
Contractual	25,465	32,747	109,567	76,820
Commodities	18,480	32,182	-	[32,182]
Capital outlay	4,208	27,861	-	[27,861]
Debt service	21,232	13,295	-	[13,295]
Total Expenditures and Transfers Subject to Budget	<u>173,393</u>	<u>205,684</u>	<u>\$ 213,837</u>	<u>\$ 8,153</u>
Receipts Over [Under] Expenditures	[7,550]	[35,140]		
Unencumbered Cash, Beginning	<u>58,946</u>	<u>51,396</u>		
Unencumbered Cash, Ending	<u>\$ 51,396</u>	<u>\$ 16,256</u>		

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

CITY OF HORTON, KANSAS
 Electric Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2004
 (With Comparative Actual Amounts For the Year Ended December 31, 2003)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges to customers	\$ 1,270,650	\$ 1,319,141	\$ 1,260,000	\$ 59,141
Total Cash Receipts	<u>1,270,650</u>	<u>1,319,141</u>	<u>\$ 1,260,000</u>	<u>\$ 59,141</u>
Expenditures and Transfers Subject to Budget				
Personnel	178,819	186,559	\$ 187,600	\$ 1,041
Contractual	91,267	106,478	1,476,310	1,369,832
Commodities	603,882	583,636	-	[583,636]
Capital outlay	20,479	1,905	-	[1,905]
Transfer out	185,000	232,500	-	[232,500]
Debt service	<u>157,600</u>	<u>164,328</u>	-	<u>[164,328]</u>
Total Expenditures and Transfers Subject to Budget	<u>1,237,047</u>	<u>1,275,406</u>	<u>\$ 1,663,910</u>	<u>\$ 388,504</u>
Receipts Over [Under] Expenditures	33,603	43,735		
Unencumbered Cash, Beginning	1,737,710	663,802		
Prior period adjustment	<u>[1,107,511]</u>	-		
Unencumbered Cash, Ending	<u>\$ 663,802</u>	<u>\$ 707,537</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, 2004 and 2003

	Year Ended December 31,	
	<u>2004</u>	<u>2003</u>
Cash Receipts		
Intergovernmental	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures and Transfers Subject to Budget		
Contractual	258,291	558,554
Capital outlay	-	146,327
Total Expenditures and Transfers Subject to Budget	<u>258,291</u>	<u>704,881</u>
Receipts Over [Under] Expenditures	[258,291]	[704,881]
Unencumbered Cash, Beginning	402,630	-
Prior period adjustment	-	1,107,511
Unencumbered Cash, Ending	<u>\$ 144,339</u>	<u>\$ 402,630</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, 2004
(With Comparative Actual Amounts For the Year Ended December 31, 2003)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges to customers	\$ 79,124	\$ 82,040	\$ 83,000	\$ [960]
Total Cash Receipts	<u>79,124</u>	<u>82,040</u>	<u>\$ 83,000</u>	<u>\$ [960]</u>
Expenditures and Transfers Subject to Budget				
Contractual	73,363	80,165	\$ 83,000	\$ 2,835
Commodities	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>73,713</u>	<u>80,165</u>	<u>\$ 83,000</u>	<u>\$ 2,835</u>
Receipts Over [Under] Expenditures	5,411	1,875		
Unencumbered Cash, Beginning	<u>[937]</u>	<u>4,474</u>		
Unencumbered Cash, Ending	<u>\$ 4,474</u>	<u>\$ 6,349</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, 2004

<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	\$ 117	\$ 468	\$ 468	\$ 117
Payroll Clearing	<u>482</u>	<u>5,873</u>	<u>6,365</u>	<u>[10]</u>
Total Agency Funds	<u>\$ 599</u>	<u>\$ 6,341</u>	<u>\$ 6,833</u>	<u>\$ 107</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, 2004

<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	\$ -	\$ 40	\$ 40	\$ 2,428	\$ -	\$ 2,428
Cemetery Memorial	<u>1,120</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>1,139</u>	<u>-</u>	<u>1,139</u>
Total Private-Purpose Trust Fund	<u>\$ 3,548</u>	<u>\$ -</u>	<u>\$ 59</u>	<u>\$ 40</u>	<u>\$ 3,567</u>	<u>\$ -</u>	<u>\$ 3,567</u>

CITY OF HORTON, KANSAS
Statement of Changes in Long Term Debt
For the Year Ended December 31, 2004

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Adjustment/ Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>
General Obligation Bonds								
2003 G.O. Refunding	1.25 - 4.75%	04/11/03	\$ 615,000	12/01/22	\$ 570,000	\$ -	\$ 40,000	\$ 530,000
Subtotal					<u>570,000</u>	<u>-</u>	<u>40,000</u>	<u>530,000</u>
Revenue Bonds								
1998 Elec. Rev. Bond	4.0-4.7%	04/01/99	510,000	10/01/08	280,000	-	50,000	230,000
2002 Elec. Rev. Bond	4.10-5.35%	03/01/02	1,700,000	10/01/22	1,700,000	-	-	1,700,000
Subtotal					<u>1,980,000</u>	<u>-</u>	<u>50,000</u>	<u>1,930,000</u>
Capital Leases								
Backhoe	4.00%	01/30/03	59,909	02/01/08	50,736	-	11,418	39,318
Police Vehicles	3.85%	03/17/04	42,762	03/17/07	-	42,762	10,227	32,535
Pumper Truck	6.09%	08/23/01	140,562	08/23/11	106,723	-	12,679	94,044
2002 Ford Truck	5.32%	03/11/02	70,010	01/11/09	61,005	-	12,002	49,003
Subtotal					<u>218,464</u>	<u>42,762</u>	<u>46,326</u>	<u>214,900</u>
Total					<u>\$2,768,464</u>	<u>\$ 42,762</u>	<u>\$ 136,326</u>	<u>\$2,674,900</u>

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

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2004

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. Fixed 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 obtained 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, 2004

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

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement.

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, 2004

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 2004 budget was amended for the Special Highway and Sewer Funds.

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 modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the 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

At year-end the carrying amount of the City's deposits was \$619,433 and the bank balance was \$663,604. The difference between the carrying amount and the bank balance is outstanding checks, deposits in transit and cash on hand. Of the bank balance, all was covered by FDIC insurance or by collateral held by the City's agent in the City's name.

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

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2004

NOTE 2 - Deposits (Continued)

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end. Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the City or its agent in the City's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

Of the three risk categories, the investments classified in Risk Category 1 have the least risk to the municipality. The investments of the Kansas Municipal Investment Pool are held in the name of the state in the state's account at the Federal Reserve. These investments are reported to the City at fair value on a monthly basis. State statutes established the Pooled Money Investment Board to oversee the activities of the pool

At December 31, 2004, the City had invested \$905,131 in the Kansas Municipal Investment Pool. The City's investment in the Kansas Municipal Investment Pool is not subject to categorization as to risk. The fair value of the City's position in the municipal investment pool is substantially the same as the value of the pool shares.

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 3.22% from January 1 to June 30, 2004 and 3.82% from July 1 to December 31, 2004. The City employer contributions to KPERS for the years ending December 31, 2004, 2003, and 2002 were \$22,373, \$18,866, and \$16,622, respectively, equal to the required contributions for each year.

NOTE 4 - Long-Term Debt

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Proprietary	1.25 to 4.75%	\$ 530,000
		<u>\$ 530,000</u>

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2004

NOTE 4 - Long-Term Debt (Continued)

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

<u>Year Ending</u> <u>December 31,</u>	<u>Enterprise</u> <u>Funds</u>
2005	\$ 59,218
2006	63,498
2007	62,508
2008	61,383
2009	35,100
2010-2014	164,980
2015-2019	177,513
2020-2022	<u>109,738</u>
Total Principal and Interest	733,938
Less: Interest	<u>203,938</u>
Total	<u>\$ 530,000</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>Interest Rates</u>	<u>Amount</u> <u>Outstanding</u>
Electric fund refunding bonds	4.0 to 5.35%	\$ <u>1,930,000</u>

Revenue bond debt service requirements to maturity:

<u>Year Ending</u> <u>December 31,</u>	
2005	\$ 151,441
2006	148,966
2007	171,464
2008	172,869
2009	168,986
2010-2014	857,338
2015-2019	845,150
2020-2022	<u>493,685</u>
Total Principal and Interest	3,009,899
Less: Interest	<u>1,079,899</u>
Total	<u>\$ 1,930,000</u>

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2004

NOTE 4 - Long-Term Debt (Continued)

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

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2004, were as follows:

Year Ending <u>December 31,</u>	
2005	\$ 57,347
2006	57,883
2007	47,116
2008	32,894
2009	25,605
2010	<u>19,180</u>
Total minimum lease payments	240,025
Less: amount representing interest	<u>25,125</u>
Present value of minimum lease payments	<u>\$ 214,900</u>

Following is a summary of changes in long-term debt for the year ended December 31, 2004:

<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	\$ 1,980,000	\$ -	\$ 50,000	\$ 1,930,000
General Obligation Bonds	570,000	-	40,000	530,000
Capital Leases	<u>218,464</u>	<u>42,762</u>	<u>46,326</u>	<u>214,900</u>
Total	<u>\$ 2,768,464</u>	<u>\$ 42,762</u>	<u>\$ 136,326</u>	<u>\$ 2,674,900</u>

NOTE 5 - 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 risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2004

NOTE 6 - Interfund Transfers

A reconciliation of operating transfers by fund type for 2004 follows:

Fund	To	From
General	\$ 232,500	\$ 10,000
Equipment Reserve	5,000	-
Public Building Reserve	5,000	-
Water	-	16,667
Sewer	16,667	-
Electric	-	232,500
Total	\$ 259,167	\$ 259,167

NOTE 7- 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	\$ 37,860
Reserved for depreciation and repair	204,019
Total reservations as required by bond covenants	\$ 241,879

Rate coverage met bond covenant requirements.

The number of customers served by the electricity system at January 1, 2004 was 979 and 984 at December 31, 2005. 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: 4/1/04 to 4/1/05	Commercial Property	\$4,840,136 Aggregate Limit	\$ 19,657
EMC Insurance Company Term: 4/1/04 to 4/1/05	Inland Marine	\$178,885 Aggregate Limit	1,790
EMC Insurance Company Term: 4/1/04 to 4/1/05	Liability	\$1,000,000 Aggregate Limit \$500,000 Per Occurrence	12,143
EMC Insurance Company Term: 4/1/04 to 4/1/05	Commercial Output	\$4,638,910 Aggregate Limit	19,914
EMC Insurance Company Term: 4/1/04 to 4/1/05	Linebacker	\$1,000,000 Aggregate Limit \$1,000,000 Per Occurrence	2,958

Similar coverage was in place prior to April 1, 2004.