

CITY OF HORTON, KANSAS
Financial Statements
For the Year Ended December 31, 2005

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CITY OF HORTON, KANSAS
Financial Statements
For the Year Ended December 31, 2005

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i
FINANCIAL SECTION	
Independent Auditor's Report on the Financial Statements	1 - 2
STATEMENT 1	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	3
STATEMENT 2	
Summary of Expenditures - Actual and Budget	4
STATEMENT 3	
Statement of Cash Receipts and Expenditures - Actual and Budget and Actual Only	
General Fund	5 - 6
Industrial Fund	7
Special Highway Fund	8
Equipment Reserve Fund	9
Public Building Reserve Fund	10
State Grant Fund	11
Court Diversion Fund	12
Bond and Interest Fund	13
Water Fund	14
Water Improvement Fund	15
Sewer Fund	16
Sewer Improvement Fund	17
Electric Fund	18
Electric Project Fund	19
Solid Waste Fund	20
STATEMENT 4	
Statement of Cash, Cash Receipts and Cash Disbursements Agency Funds	21
STATEMENT 5	
Statement of Cash Receipts, Expenditures, and Unencumbered Cash Private-Purpose Trust Funds	22
STATEMENT 6	
Statement of Changes in Long Term Debt	23
Notes to the Financial Statements	24 - 30

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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, 2005, 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, 2005.

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, 2005, 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, 2005, and its cash receipts and expenditures, for the year then ended on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the mayor, city commission and management of the City of Horton, Kansas, and for filing with Kansas regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Howenthal, Singleton, Webb & Wilson

Professional Association

June 6, 2006

STATEMENT 1

CITY OF HORTON, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2005

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	\$ 63,464	\$ -	\$ 1,081,358	\$ 1,067,827	\$ 76,995	\$ 12,763	\$ 89,758
Special Revenue Funds:							
Industrial Fund	6,836	-	4,061	3,000	7,897	-	7,897
Special Highway Fund	49,377	-	56,010	55,493	49,894	-	49,894
Equipment Reserve Fund	6,363	-	5,000	7,888	3,475	-	3,475
Public Building Reserve Fund	63	-	5,000	2,749	2,314	-	2,314
State Grant Fund	1,207	-	7,649	10,355	[1,499]	-	[1,499]
Court Diversion Fund	6,860	-	4,434	6,306	4,988	-	4,988
Debt Service Fund:							
Bond and Interest Fund	768	-	22,823	22,248	1,343	-	1,343
Enterprise Funds:							
Water Fund	370,221	-	262,014	240,426	391,809	606	392,415
Water Improvement Fund	102,698	-	-	35,019	67,679	-	67,679
Sewer Fund	16,256	-	190,957	154,215	52,998	1,442	54,440
Sewer Improvement Fund	-	-	300,000	93,752	206,248	-	206,248
Electric Fund	707,537	-	1,405,405	1,257,387	855,555	30,331	885,886
Electric Project Fund	144,339	-	-	52,365	91,974	-	91,974
Solid Waste Fund	6,349	-	85,973	81,480	10,842	-	10,842
Private-Purpose Trust Funds	3,567	-	61	41	3,587	-	3,587
Total Primary Government	\$ 1,485,905	\$ -	\$ 3,430,745	\$ 3,090,551	\$ 1,826,099	\$ 45,142	\$ 1,871,241

COMPOSITION OF CASH:

Horton National Bank:	
Checking	\$ 368,536
Certificates of Deposit	3,586
United Bank of Kansas:	
Checking	30,435
Certificates of Deposit	200,000
State of Kansas Municipal Investment Pool	<u>1,269,654</u>
Total Cash	1,872,211
Less: Agency Funds	<u>[970]</u>
Total (Excluding Agency Funds)	\$ 1,871,241

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

CITY OF HORTON, KANSAS
 Summary of Expenditures - Actual and Budget
 For the Year Ended December 31, 2005

<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	\$ 1,061,075	\$ 24,823	\$ 1,085,898	\$ 1,067,827	\$ 18,071
Special Revenue Funds:					
Industrial	9,200	-	9,200	3,000	6,200
Special Highway	58,700	-	58,700	55,493	3,207
Equipment Reserve	8,000	-	8,000	7,888	112
Public Building Reserve	5,000	-	5,000	2,749	2,251
Court Diversion	7,000	-	7,000	6,306	694
Debt Service Fund:					
Bond and Interest	23,053	-	23,053	22,248	805
Enterprise Funds:					
Water	280,900	-	280,900	240,426	40,474
Sewer	163,585	-	163,585	154,215	9,370
Electric	1,288,570	-	1,288,570	1,257,387	31,183
Solid Waste	83,000	-	83,000	81,480	1,520

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, 2005
(With Comparative Actual Amounts For the Year Ended December 31, 2004)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Taxes	\$ 514,814	\$ 565,825	\$ 543,002	\$ 22,823
Intergovernmental	22,085	19,702	19,640	62
Franchise tax	67,947	62,498	66,000	[3,502]
Licenses	1,951	2,149	2,500	[351]
Fines and fees	39,389	55,263	55,400	[137]
Interest	16,542	36,495	32,000	4,495
Use of property	3,225	3,082	3,000	82
Charges for services	69,639	71,133	69,195	1,938
Grants	-	3,430	-	3,430
Transfer in	232,500	236,958	258,500	[21,542]
Reimbursement	36,876	24,823	16,100	8,723
Total Cash Receipts	1,004,968	1,081,358	\$ 1,065,337	\$ 16,021
Expenditures and Transfers Subject to Budget				
General Government				
Personnel	151,862	145,306	\$ 157,200	\$ 11,894
Contractual services	56,751	59,402	83,275	23,873
Commodities	10,523	15,052	13,525	[1,527]
Capital outlay	-	2,846	5,000	2,154
Miscellaneous	6,467	10,265	-	[10,265]
Debt service	-	-	3,000	3,000
Law Enforcement				
Personnel	281,795	318,278	315,324	[2,954]
Contractual services	82,359	138,236	51,605	[86,631]
Commodities	55,551	59,873	45,900	[13,973]
Capital outlay	34,053	11,123	21,000	9,877
Debt service	-	-	34,700	34,700
Parks and Recreation				
Personnel	28,657	30,179	31,486	1,307
Contractual services	18,827	26,971	23,559	[3,412]
Commodities	47,279	35,851	35,600	[251]
Capital outlay	1,362	8,839	10,000	1,161

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, 2005
(With Comparative Actual Amounts For the Year Ended December 31, 2004)

	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Streets				
Personnel	\$ 76,066	\$ 90,242	\$ 86,020	\$ [4,222]
Contractual services	18,673	19,879	26,200	6,321
Commodities	36,544	49,474	48,280	[1,194]
Capital outlay	50,226	22,677	30,000	7,323
Building Demolition	-	-	12,810	12,810
Cemetery	8,882	11,019	12,891	1,872
Airport	2,131	2,315	2,200	[115]
Firing range	-	-	1,500	1,500
Transfer out	10,000	10,000	10,000	-
Adjustment for qualifying budget credit	-	-	24,823	24,823
	<u>978,008</u>	<u>1,067,827</u>	<u>\$ 1,085,898</u>	<u>\$ 18,071</u>
Total Expenditures and Transfers Subject to Budget				
Receipts Over [Under] Expenditures	26,960	13,531		
Unencumbered Cash, Beginning	<u>36,504</u>	<u>63,464</u>		
Unencumbered Cash, Ending	<u>\$ 63,464</u>	<u>\$ 76,995</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, 2005
 (With Comparative Actual Amounts For the Year Ended December 31, 2004)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 4,181	\$ 4,061	\$ 4,101	\$ [40]
Total Cash Receipts	<u>4,181</u>	<u>4,061</u>	<u>\$ 4,101</u>	<u>\$ [40]</u>
Expenditures and Transfers Subject to Budget				
Contractual	-	-	\$ 3,200	\$ 3,200
Commodities	10,200	3,000	3,000	-
Capital outlay	-	-	<u>3,000</u>	<u>3,000</u>
Total Expenditures and Transfers Subject to Budget	<u>10,200</u>	<u>3,000</u>	<u>\$ 9,200</u>	<u>\$ 6,200</u>
Receipts Over [Under] Expenditures	[6,019]	1,061		
Unencumbered Cash, Beginning	<u>12,855</u>	<u>6,836</u>		
Unencumbered Cash, Ending	<u>\$ 6,836</u>	<u>\$ 7,897</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, 2005
(With Comparative Actual Amounts For the Year Ended December 31, 2004)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Taxes	\$ 53,402	\$ 54,747	\$ 58,700	\$ [3,953]
Intergovernmental	-	1,263	-	1,263
Total Cash Receipts	<u>53,402</u>	<u>56,010</u>	<u>\$ 58,700</u>	<u>\$ [2,690]</u>
Expenditures and Transfers Subject to Budget				
Contractual	-	35,895	\$ 30,000	\$ [5,895]
Commodities	31,908	19,598	18,700	[898]
Capital outlay	-	-	10,000	10,000
Total Expenditures and Transfers Subject to Budget	<u>31,908</u>	<u>55,493</u>	<u>\$ 58,700</u>	<u>\$ 3,207</u>
Receipts Over [Under] Expenditures	21,494	517		
Unencumbered Cash, Beginning	<u>27,883</u>	<u>49,377</u>		
Unencumbered Cash, Ending	<u>\$ 49,377</u>	<u>\$ 49,894</u>		

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

STATEMENT 3-4

CITY OF HORTON, KANSAS
 Equipment Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2005
 (With Comparative Actual Amounts For the Year Ended December 31, 2004)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
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	-	7,888	\$ 8,000	\$ 112
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>7,888</u>	<u>\$ 8,000</u>	<u>\$ 112</u>
Receipts Over [Under] Expenditures	5,000	[2,888]		
Unencumbered Cash, Beginning	<u>1,363</u>	<u>6,363</u>		
Unencumbered Cash, Ending	<u>\$ 6,363</u>	<u>\$ 3,475</u>		

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

CITY OF HORTON, KANSAS
Public Building Reserve Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2005
(With Comparative Actual Amounts For the Year Ended December 31, 2004)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Transfer in	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
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>5,610</u>	<u>2,749</u>	<u>\$ 5,000</u>	<u>\$ 2,251</u>
Total Expenditures and Transfers Subject to Budget	<u>5,610</u>	<u>2,749</u>	<u>\$ 5,000</u>	<u>\$ 2,251</u>
Receipts Over [Under] Expenditures	[610]	2,251		
Unencumbered Cash, Beginning	<u>673</u>	<u>63</u>		
Unencumbered Cash, Ending	<u>\$ 63</u>	<u>\$ 2,314</u>		

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

STATEMENT 3-6

CITY OF HORTON, KANSAS
 State Grant Fund
 Statement of Cash Receipts and Expenditures - Actual*
 For the Year Ended December 31, 2005 and 2004

	Year Ended December 31,	
	2005	2004
Cash Receipts		
Grants	\$ 7,649	\$ 40,357
Total Cash Receipts	7,649	40,357
 Expenditures and Transfers		
Commodities	10,355	47,211
Total Expenditures and Transfers	10,355	47,211
 Receipts Over [Under] Expenditures	[2,706]	[6,854]
 Unencumbered Cash, Beginning	1,207	8,061
 Unencumbered Cash, Ending	\$ [1,499]	\$ 1,207

* - 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, 2005
 (With Comparative Actual Amounts For the Year Ended December 31, 2004)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 2,550	\$ 4,434	\$ 3,625	\$ 809
Total Cash Receipts	<u>2,550</u>	<u>4,434</u>	<u>\$ 3,625</u>	<u>\$ 809</u>
Expenditures and Transfers Subject to Budget				
Commodities	1,296	3,325	\$ 4,000	\$ 675
Capital outlay	-	2,981	3,000	19
Total Expenditures and Transfers Subject to Budget	<u>1,296</u>	<u>6,306</u>	<u>\$ 7,000</u>	<u>\$ 694</u>
Receipts Over [Under] Expenditures	1,254	[1,872]		
Unencumbered Cash, Beginning	<u>5,606</u>	<u>6,860</u>		
Unencumbered Cash, Ending	<u>\$ 6,860</u>	<u>\$ 4,988</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, 2005
 (With Comparative Actual Amounts For the Year Ended December 31, 2004)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Taxes	\$ 21,741	\$ 22,823	\$ 23,044	\$ [221]
Total Cash Receipts	<u>21,741</u>	<u>22,823</u>	<u>\$ 23,044</u>	<u>\$ [221]</u>
Expenditures and Transfers Subject to Budget				
Principal	20,000	20,000	\$ 20,000	\$ -
Interest	1,017	2,248	2,248	-
Fees	-	-	805	805
Total Expenditures and Transfers Subject to Budget	<u>21,017</u>	<u>22,248</u>	<u>\$ 23,053</u>	<u>\$ 805</u>
Receipts Over [Under] Expenditures	724	575		
Unencumbered Cash, Beginning	<u>44</u>	<u>768</u>		
Unencumbered Cash, Ending	<u>\$ 768</u>	<u>\$ 1,343</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, 2005
(With Comparative Actual Amounts For the Year Ended December 31, 2004)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 270,193	\$ 256,818	\$ 260,000	\$ [3,182]
Miscellaneous	2,051	5,196	-	5,196
Total Cash Receipts	<u>272,244</u>	<u>262,014</u>	<u>\$ 260,000</u>	<u>\$ 2,014</u>
Expenditures and Transfers Subject to Budget				
Personnel	111,289	92,459	\$ 91,050	\$ [1,409]
Contractual	55,127	41,566	116,350	74,784
Commodities	39,192	29,319	-	[29,319]
Capital outlay	21,752	9,707	-	[9,707]
Transfer out	16,667	67,375	73,500	6,125
Total Expenditures and Transfers Subject to Budget	<u>244,027</u>	<u>240,426</u>	<u>\$ 280,900</u>	<u>\$ 40,474</u>
Receipts Over [Under] Expenditures	28,217	21,588		
Unencumbered Cash, Beginning	<u>342,004</u>	<u>370,221</u>		
Unencumbered Cash, Ending	<u>\$ 370,221</u>	<u>\$ 391,809</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, 2005 and 2004

	Year Ended December 31,	
	<u>2005</u>	<u>2004</u>
Cash Receipts		
Intergovernmental	\$ -	\$ 164,089
Total Cash Receipts	<u>-</u>	<u>164,089</u>
Expenditures and Transfers Subject to Budget		
Contractual	4,028	268,458
Commodities	1,358	2,218
Capital outlay	-	3,646
Debt service	<u>29,633</u>	<u>19,259</u>
Total Expenditures and Transfers Subject to Budget	<u>35,019</u>	<u>293,581</u>
Receipts Over [Under] Expenditures	[35,019]	[129,492]
Unencumbered Cash, Beginning	<u>102,698</u>	<u>232,190</u>
Unencumbered Cash, Ending	<u>\$ 67,679</u>	<u>\$ 102,698</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, 2005
(With Comparative Actual Amounts For the Year Ended December 31, 2004)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 153,877	\$ 190,957	\$ 170,000	\$ 20,957
Transfers in	16,667	-	-	-
Total Cash Receipts	<u>170,544</u>	<u>190,957</u>	<u>\$ 170,000</u>	<u>\$ 20,957</u>
Expenditures and Transfers Subject to Budget				
Personnel	99,599	77,487	\$ 88,854	\$ 11,367
Contractual	32,747	23,856	60,731	36,875
Commodities	32,182	24,246	-	[24,246]
Capital outlay	27,861	9,268	-	[9,268]
Debt service	13,295	19,358	14,000	[5,358]
Total Expenditures and Transfers Subject to Budget	<u>205,684</u>	<u>154,215</u>	<u>\$ 163,585</u>	<u>\$ 9,370</u>
Receipts Over [Under] Expenditures	[35,140]	36,742		
Unencumbered Cash, Beginning	<u>51,396</u>	<u>16,256</u>		
Unencumbered Cash, Ending	<u>\$ 16,256</u>	<u>\$ 52,998</u>		

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

STATEMENT 3-12

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

Cash Receipts	
Bond proceeds	\$ 300,000
Total Cash Receipts	<u>300,000</u>
Expenditures and Transfers Subject to Budget	
Commodities	4,440
Capital outlay	<u>89,312</u>
Total Expenditures and Transfers Subject to Budget	<u>93,752</u>
Receipts Over [Under] Expenditures	206,248
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<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, 2005
 (With Comparative Actual Amounts For the Year Ended December 31, 2004)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 1,319,141	\$ 1,405,405	\$ 1,250,000	\$ 155,405
Total Cash Receipts	<u>1,319,141</u>	<u>1,405,405</u>	<u>\$ 1,250,000</u>	<u>\$ 155,405</u>
Expenditures and Transfers Subject to Budget				
Personnel	186,559	179,241	\$ 186,855	\$ 7,614
Contractual	106,478	98,445	-	[98,445]
Commodities	583,636	620,236	748,858	128,622
Capital outlay	1,905	22,394	-	[22,394]
Transfer out	232,500	169,583	185,000	15,417
Debt service	<u>164,328</u>	<u>167,488</u>	<u>167,857</u>	<u>369</u>
Total Expenditures and Transfers Subject to Budget	<u>1,275,406</u>	<u>1,257,387</u>	<u>\$ 1,288,570</u>	<u>\$ 31,183</u>
Receipts Over [Under] Expenditures	43,735	148,018		
Unencumbered Cash, Beginning	<u>663,802</u>	<u>707,537</u>		
Unencumbered Cash, Ending	<u>\$ 707,537</u>	<u>\$ 855,555</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, 2005 and 2004

	Year Ended December 31,	
	<u>2005</u>	<u>2004</u>
Cash Receipts		
Intergovernmental	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures and Transfers Subject to Budget		
Contractual	6,287	258,291
Capital outlay	46,078	-
Total Expenditures and Transfers Subject to Budget	<u>52,365</u>	<u>258,291</u>
Receipts Over [Under] Expenditures	[52,365]	[258,291]
Unencumbered Cash, Beginning	<u>144,339</u>	<u>402,630</u>
Unencumbered Cash, Ending	<u>\$ 91,974</u>	<u>\$ 144,339</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, 2005
(With Comparative Actual Amounts For the Year Ended December 31, 2004)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 82,040	\$ 85,973	\$ 83,000	\$ 2,973
Total Cash Receipts	<u>82,040</u>	<u>85,973</u>	<u>\$ 83,000</u>	<u>\$ 2,973</u>
Expenditures and Transfers Subject to Budget				
Contractual	80,165	74,479	\$ 81,500	\$ 7,021
Commodities	-	7,001	1,500	[5,501]
Total Expenditures and Transfers Subject to Budget	<u>80,165</u>	<u>81,480</u>	<u>\$ 83,000</u>	<u>\$ 1,520</u>
Receipts Over [Under] Expenditures	1,875	4,493		
Unencumbered Cash, Beginning	<u>4,474</u>	<u>6,349</u>		
Unencumbered Cash, Ending	<u>\$ 6,349</u>	<u>\$ 10,842</u>		

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

STATEMENT 4

CITY OF HORTON, KANSAS
 Statement of Cash, Cash Receipts and Disbursements
 Agency Funds
 For the Year Ended December 31, 2005

<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	\$ 273	\$ 390	\$ -
Payroll Clearing	<u>[10]</u>	<u>970</u>	<u>[10]</u>	<u>970</u>
Total Agency Funds	<u>\$ 107</u>	<u>\$ 1,243</u>	<u>\$ 380</u>	<u>\$ 970</u>

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

CITY OF HORTON, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 Private-Purpose Trust Funds
 For the Year Ended December 31, 2005

<u>FUNDS</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Schneider Poor	\$ 2,428	\$ -	\$ 41	\$ 41	\$ 2,428	\$ -	\$ 2,428
Cemetery Memorial	<u>1,139</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>1,159</u>	<u>-</u>	<u>1,159</u>
Total Private-Purpose Trust Fund	<u>\$ 3,567</u>	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ 41</u>	<u>\$ 3,587</u>	<u>\$ -</u>	<u>\$ 3,587</u>

STATEMENT 6

CITY OF HORTON, KANSAS
Statement of Changes in Long Term Debt
For the Year Ended December 31, 2005

<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								
2005 G.O. Bonds	3-4.25%	05/02/05	\$ 300,000	12/01/20	\$ -	\$ 300,000	\$ -	\$ 300,000
2003 G.O. Refunding	1.25-4.75%	04/11/03	615,000	12/01/22	530,000	-	40,000	490,000
Subtotal					<u>530,000</u>	<u>300,000</u>	<u>40,000</u>	<u>790,000</u>
Revenue Bonds								
1998 Elec. Rev. Bond	4.0-4.7%	04/01/99	510,000	10/01/08	230,000	-	55,000	175,000
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>1,930,000</u>	<u>-</u>	<u>55,000</u>	<u>1,875,000</u>
Capital Leases								
Backhoe	4.00%	01/30/03	59,909	02/01/08	39,318	-	11,883	27,435
Police Vehicles	3.85%	03/17/04	42,762	03/17/07	32,535	-	14,087	18,448
Pumper Truck	6.09%	08/23/01	140,562	08/23/11	94,044	-	13,452	80,592
2002 Ford Truck	5.32%	03/11/02	70,010	01/11/09	49,003	-	12,001	37,002
Subtotal					<u>214,900</u>	<u>-</u>	<u>51,423</u>	<u>163,477</u>
Total					<u>\$ 2,674,900</u>	<u>\$ 300,000</u>	<u>\$ 146,423</u>	<u>\$ 2,828,477</u>

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2005

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, 2005

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, 2005

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 2005 budget was amended for the General, Equipment Reserve, Court Diversion and Electric 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 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 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

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2005

NOTE 2 - Deposits (Continued)

rated in either of the three highest rating categories by Moody's investors service or Standard and Poor's corporation, and various other investments as specified in KSA 10-131.

At December 31, 2005, the City has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool	\$ <u>1,269,654</u>	S&P AAAf/S1+

At December 31, 2005, the City had invested \$1,269,654 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 4.01% from January 1 to June 30, 2005 and 4.21% from July 1 to December 31, 2005. The City employer contributions to KPERS for the years ending December 31, 2005, 2004, and 2003 were \$24,106, \$22,273, and \$18,866, 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, 2005, is \$24,076.

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2005

NOTE 5 - Related Party Transactions

The City paid \$29,857 during the year ended December 31, 2005, for rock materials, to a company owned by the father of two city commissioners. These city commissioners abstained from voting on the rock material bid award.

The City also paid \$ 1,926 during the year ended December 31, 2005, for gun service, to a company owned by a city commissioner.

NOTE 6 - Long-Term Debt

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Outstanding</u>
Proprietary	3.00-4.25%	\$ 300,000
Proprietary	1.25 to 4.75%	<u>490,000</u>
		<u>\$ 790,000</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>
2006	\$ 90,028
2007	88,588
2008	86,998
2009	60,235
2010	64,580
2011-2015	229,120
2016-2020	<u>464,070</u>
Total Principal and Interest	1,083,621
Less: Interest	<u>293,621</u>
Total	<u>\$ 790,000</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>Outstanding</u>
Electric fund refunding bonds	4.0 to 5.35%	<u>\$ 1,875,000</u>

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2005

NOTE 6 - Long-Term Debt (Continued)

Revenue bond debt service requirements to maturity:

<u>Year Ending December 31,</u>	
2006	\$ 148,966
2007	171,464
2008	172,869
2009	168,986
2010	170,268
2011-2015	858,580
2016-2020	673,640
2021-2022	<u>493,685</u>
Total Principal and Interest	2,858,458
Less: Interest	<u>983,458</u>
Total	<u>\$ 1,875,000</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, 2005, were as follows:

<u>Year Ending December 31,</u>	
2006	\$ 57,883
2007	47,139
2008	32,894
2009	23,416
2010	<u>19,180</u>
Total minimum lease payments	180,512
Less: amount representing interest	<u>17,035</u>
Present value of minimum lease payments	<u>\$ 163,477</u>

Following is a summary of changes in long-term debt for the year ended December 31, 2005:

<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	\$ 1,930,000	\$ -	\$ 55,000	\$ 1,875,000
General Obligation Bonds	530,000	300,000	40,000	790,000
Capital Leases	<u>214,900</u>	<u>-</u>	<u>51,423</u>	<u>163,477</u>
Total	<u>\$ 2,674,900</u>	<u>\$ 300,000</u>	<u>\$ 146,423</u>	<u>\$ 2,828,477</u>

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2005

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 2005 follows:

Fund	To	From
General	\$ 236,958	\$ 10,000
Equipment Reserve	5,000	-
Public Building Reserve	5,000	-
Water	-	67,375
Electric	-	169,583
Total	\$ 246,958	\$ 246,958

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	\$ 20,399
Reserved for depreciation and repair	<u>206,694</u>
Total reservations as required by bond covenants	\$ <u>227,093</u>

Rate coverage met bond covenant requirements.

The number of customers served by the electricity system at January 1, 2005 was 984 and 998 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: 4/1/05 to 4/1/06	Commercial Property	\$5,503,700 Aggregate Limit	\$ 22,266
EMC Insurance Company Term: 4/1/05 to 4/1/06	Inland Marine	\$193,885 Aggregate Limit	2,037
EMC Insurance Company Term: 4/1/05 to 4/1/06	Liability	\$1,000,000 Aggregate Limit \$500,000 Per Occurrence	6,598
EMC Insurance Company Term: 4/1/05 to 4/1/06	Commercial Output	\$7,229,470 Aggregate Limit	20,307
EMC Insurance Company Term: 4/1/05 to 4/1/06	Linebacker	\$1,000,000 Aggregate Limit \$1,000,000 Per Occurrence	3,158

Similar coverage was in place prior to April 1, 2005.