

CITY OF HORTON, KANSAS

Financial Statement

For the Year Ended December 31, 2021

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CITY OF HORTON, KANSAS
Financial Statements
For the Year Ended December 31, 2021
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INDEPENDENT AUDITOR'S REPORT

Mayor and City Commissioners
City of Horton, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Horton, Kansas and its related municipal entity, the Public Library of The City of Horton, Kansas (collectively, the City), as of and for the year ended December 31, 2021 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2021, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2021, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, summary of receipts and disbursements-agency funds and the schedule of regulatory basis receipts and expenditures-related municipal entity (Schedules 1, 2, 3 and 4) as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures,

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Other Matters

Prior Period Adjustment

As discussed in Note 15 to the financial statement, the financial statement for the year ended December 31, 2020, has been restated to correct a misstatement in fund balances. Our opinion is not modified with respect to this matter.

Other Matter

The 2020 actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2020 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Horton, Kansas as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated July 28, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the web site of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/oar/municipalservices>. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2021 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2020 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 basic financial statement or to the 2020 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2020, on the basis of accounting described in Note 1.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

September 19, 2022

CITY OF HORTON, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2021

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Adjustment</u>	<u>Unencumbered Cash Balance Restated</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Funds:								
General Fund	\$ 404,133	\$ -	\$ 404,133	\$ 1,409,069	\$ 1,515,962	\$ 297,240	\$ 31,230	\$ 328,470
Special Purpose Funds:								
Employee Benefit Fund	[55,298]	220,295	164,997	159,404	468,079	[143,678]	-	[143,678]
Industrial Fund	[2,496]	-	[2,496]	22	-	[2,474]	-	[2,474]
Library Fund	[2,696]	-	[2,696]	62,057	59,360	1	-	1
Special Highway Fund	104,406	-	104,406	48,665	118,438	34,633	-	34,633
Capital Improvement Fund	30,000	-	30,000	85,000	30,000	85,000	-	85,000
Equipment Reserve Fund	6,385	-	6,385	140,000	49,999	96,386	-	96,386
Public Building Reserve Fund	8,596	-	8,596	-	-	8,596	-	8,596
State Grant Fund	1,802,241	-	1,802,241	4,853,740	6,676,138	[20,157]	178,013	157,856
JAG Grant 2019/2020 Fund	-	-	-	-	-	-	-	-
Asset Forfeiture Fund	5,987	-	5,987	-	-	5,987	-	5,987
Court Diversion Fund	16,477	-	16,477	5,945	247	22,175	-	22,175
Energy Efficiency Fund	2,775	-	2,775	-	-	2,775	-	2,775
911 Wireless Fund	24,578	-	24,578	3,107	9,058	18,627	-	18,627
Sales Tax Revenue Fund	354,230	-	354,230	187,681	128,200	413,711	-	413,711
ARPA Fund	-	-	-	128,573	-	128,573	-	128,573
Capital Project Funds:								
Pool Project Fund	-	-	-	-	-	-	-	-
Capital Improvement - Crime Prevention Fund	2,941	-	2,941	1,001	-	3,942	-	3,942
Fire Truck Lease Fund	-	-	-	55,014	55,014	-	-	-
Baseball Field Project Fund	-	-	-	35,000	39,215	[4,215]	-	[4,215]
Bond and Interest Fund:								
Bond and Interest Fund	3,133	-	3,133	209	-	3,342	-	3,342
Business Funds:								
Water Fund	277,522	-	277,522	392,459	416,824	253,157	318	253,475
Sewer Fund	207,329	-	207,329	576,888	489,620	294,597	13	294,610
Electric Fund	918,246	-	918,246	2,063,855	1,788,876	1,193,225	613	1,193,838
Solid Waste Fund	42,611	-	42,611	112,508	107,666	47,453	-	47,453
Private-Purpose Trust Funds	13,631	-	13,631	2,891	421	16,101	-	16,101
Total Primary Government	4,164,731	220,295	4,385,026	10,323,088	11,953,117	2,754,997	210,187	2,965,184
Related Municipal Entity:								
Horton Free Public Library	47,300	-	47,300	101,839	123,115	26,024	-	26,024
Total Reporting Entity	\$ 4,212,031	\$ 220,295	\$ 4,432,326	\$ 10,424,927	\$ 12,076,232	\$ 2,781,021	\$ 210,187	\$ 2,991,208

COMPOSITION OF CASH:

GN Bank:	
Checking	\$ 2,627,190
Certificates of Deposit	2,475
Savings	1,468
Checking - Library	6,077
Savings - Library	3,440
Union State Bank:	
Certificates of Deposit	103,265
Savings - Library	16,506
First Option Bank:	
Checking	28,680
Certificates of Deposit	202,107
Total Cash	<u>\$ 2,991,208</u>

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 of Horton (the municipality) and its related municipal entity. The related municipal entity is included in the City's reporting entity because they were established to benefit the City and its constituents.

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 also be approved by the City.

Related Municipal Entity not included:

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. 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

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the City for the year ended December 31, 2021:

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Capital Project Fund - used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Bond and Interest Fund - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Business Fund - funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.).

Trust Fund - funds used to report assets held in trust for the benefit of the City (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the City).

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, 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 on or before August 5th of the proposed budget and notice of public hearing on the budget.
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.

If the City is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The City was not required to hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts 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 budget for the year ended December 31, 2021 was amended for the Special Highway Fund and Sewer Fund.

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

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, trust funds and the following special purpose funds: State Grant, JAG Grant 2019/2020, Asset Forfeiture, Energy Efficiency, and ARPA.

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 governing body.

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - Deposits

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

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

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State Statutes require the City deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has no designated peak periods and all deposits were adequately secured at December 31, 2021.

As of December 31, 2021, the City's carrying amount of deposits was \$2,965,185 and the bank balance was \$2,991,567. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$584,052 was covered by federal depository insurance and the balance of \$2,407,515 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2021, the Library's carrying amount of deposits was \$26,023 and the bank balance was \$32,532. The bank balance was held by two banks resulting in a concentration of credit risk. The Library's entire bank balance was covered by federal depository insurance.

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

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 Plans

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. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 3 - Retirement Plans (Continued)

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rate 8.87% for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City were \$74,206 for the year ended December 31, 2021. Contributions to the pension plan from the Library were \$3,347 for the year ended December 31, 2021.

Net Pension Liability. At December 31, 2021, the City's proportionate share of the collective net pension liability reported by KPERS was \$508,073 and the Library's share was \$21,371. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. The City's and Library's proportion of the net pension liability was based on the ratio of the City's and Library's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup of KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report, including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the KPERS website at www.kpers.org or can be obtained as described above.

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, 2021, is \$26,007.

NOTE 5 - Lease Agreement

The City, the lessor, entered into a lease agreement with Tri-County Manor Living Center, Inc. on May 1, 2007, for the lease of the manor facility. The lease termination date is March 1, 2023 and requires monthly lease payments of \$1,400 beginning on May 1, 2008 and continuing thereafter until the aggregate amount paid totals \$250,000. Tri-County Manor Living Center, Inc. has the option to purchase the facility upon payment in full of the lease payments totaling \$250,000.

NOTE 6 - Long-Term Debt

The following table summarizes changes in the City's long-term debt for the year ended December 31, 2021:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>	<u>Interest Paid</u>
General Obligation Bonds	\$ 11,923,281	\$ 3,065,000	\$ 3,225,688	\$ 11,762,593	\$ 273,919
Revenue Bonds	2,235,000	-	240,000	1,995,000	83,598
Capital Leases	20,153	30,014	9,946	40,221	528
Total	<u>\$ 14,178,434</u>	<u>\$ 3,095,014</u>	<u>\$ 3,475,634</u>	<u>\$ 13,797,813</u>	<u>\$ 358,045</u>

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 6 - Long-Term Debt (Continued)

General Obligation Bonds. The following table details the City's outstanding general obligation debt as of December 31, 2021:

<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>
Paid by Utility Fees:					
2013 Sewer Improvements General Obligation Bond	9/27/2013	7/27/2053	2.13%	2,955,000	\$ 2,544,552
2015 Sewer Improvements General Obligation Bond	5/27/2015	5/27/2055	2.13%	3,375,000	3,030,903
2020 Sewer Utility System Revenue Bond	9/28/2020	9/28/2060	1.13%	3,303,000	3,237,138
2021 General Obligation Refunding Bonds	4/8/2021	12/1/2047	1.75 - 2.38%	3,065,000	<u>2,950,000</u>
					<u>\$ 11,762,593</u>

Annual debt service requirements to maturity for the City's outstanding general obligation debt is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 269,626	\$ 216,702	\$ 486,329
2023	277,882	211,745	489,628
2024	281,106	206,722	487,827
2025	289,582	201,445	491,028
2026	293,029	196,099	489,128
2027 - 2031	1,544,084	897,706	2,441,791
2032 - 2036	1,690,568	752,584	2,443,152
2037 - 2041	1,851,798	588,603	2,440,401
2042 - 2046	2,038,552	401,462	2,440,014
2047 - 2051	1,657,013	209,513	1,866,526
2052 - 2056	1,168,998	71,301	1,240,299
2057 - 2060	400,354	11,319	411,673
Total	<u>\$ 11,762,593</u>	<u>\$ 3,965,203</u>	<u>\$ 15,727,795</u>

On April 8, 2021, the City issued General Obligation Refunding Bonds, Series 2021-A in the amount of \$3,065,000. Proceeds from the sale of the Bonds were used to fully refund the City's previously outstanding Public Water Supply General Obligation Bonds, Series 2011 and to pay costs of issuance. The new bonds carry interest rates between 1.75% and 2.38% and are scheduled for final maturity on December 1, 2047. The refunding resulted in a net present value savings of \$341,173.

Revenue Bonds. The following table details the City's outstanding revenue bond debt as of December 31, 2021:

<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>
Paid by Utility Fees:					
2009 Public Water Supply General Obligation Bond	10/15/2009	10/1/2022	4.20%	1,620,000	\$ 150,000
2015 Electric Utility System Revenue Bond	7/27/2015	10/1/2030	3.50 to 4.00%	490,000	325,000
Paid by Taxes:					
2016-A Sales Tax Revenue Bond	11/3/2016	5/1/2037	2.00 to 4.00%	1,765,000	<u>1,520,000</u>
					<u>\$ 1,995,000</u>

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 6 - Long-Term Debt (Continued)

Annual debt service requirements to maturity for the City's outstanding revenue bond debt is as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 250,000	\$ 75,163	\$ 325,163
2023	110,000	66,000	176,000
2024	110,000	62,900	172,900
2025	115,000	59,138	174,138
2026	115,000	54,713	169,713
2027 - 2031	615,000	199,200	814,200
2032 - 2036	555,000	82,100	637,100
2037	125,000	2,500	127,500
Total	<u>\$ 1,995,000</u>	<u>\$ 601,713</u>	<u>\$ 2,596,713</u>

Capital Leases. The following table details the City's outstanding capital lease obligations as of December 31, 2021:

<u>Purpose</u>	<u>Date of</u> <u>Issue</u>	<u>Final</u> <u>Maturity</u>	<u>Interest Rate</u>	<u>Original</u> <u>Amount</u>	<u>Amount</u> <u>Outstanding</u>
Skid Steer	8/8/2019	8/8/2022	2.62%	\$ 20,153	\$ 10,207
Fire Truck	4/30/2021	4/30/2024	1.75%	30,014	30,014
					<u>\$ 40,221</u>

Annual debt service requirements to maturity for the City's capital lease obligations are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 20,038	\$ 794	\$ 20,832
2023	10,004	354	10,358
2024	10,179	179	10,358
Total	<u>\$ 40,221</u>	<u>\$ 1,327</u>	<u>\$ 41,548</u>

On July 8, 2021, the City entered into a lease purchase agreement with a local financial institution in the amount of \$30,014. Proceeds from the agreement were used to acquire equipment. The agreement carries an interest rate of 1.75%, requires annual payments of \$10,358 and is scheduled for final maturity on April 30, 2024.

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	\$ 9,235
Reserved for depreciation and repair	<u>160,000</u>
Total reservation as required by bond covenants	<u>\$ 169,235</u>

Rate coverage met bond covenant requirements during the year ended December 31, 2021.

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 8 - Interfund Transfers

A reconciliation of operating transfers by fund type for 2021 follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory Authority</u>
General	Capital Improvement	\$ 85,000	K.S.A. 12-1,118
General	Equipment Reserve	90,000	K.S.A. 12-1,117
General	Employee Benefit	37,320	K.S.A. 12-16,102
Baseball Field Project	General	13,950	K.S.A. 12-1,118
Fire Truck Lease	Equipment Reserve	50,000	K.S.A. 12-1,118
Fire Truck Lease	General	5,000	K.S.A. 12-1,118
Capital Improvement	Baseball Field Project	30,000	Commission Resolution
Equipment Reserve	Fire Truck Lease	25,000	Commission Resolution
Water	Employee Benefit	6,833	K.S.A. 12-825d
Water	Sewer	4,000	K.S.A. 12-825d
Sewer	Employee Benefit	1,240	K.S.A. 12-825d
Solid Waste	General	4,000	K.S.A. 12-825d
Electric	General	172,750	K.S.A. 12-825d
Electric	Employee Benefit	11,330	K.S.A. 12-825d
Electric	Sewer	103,000	K.S.A. 12-825d
		<u>\$ 639,423</u>	

NOTE 9 - Other Long-Term Obligations from Operations

Other Post-Employment Benefits. As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Death and Disability Other Post-Employment Benefits. As provided by K.S.A. 74-4927, disabled members of the Kansas Public Employees Retirement System (KPERS) received long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2021.

NOTE 10 - Related Party Transactions

During the year ended December 31, 2021, the City paid \$3,333 to a company owned by the mayor's family member for hauling and trucking services during the year.

NOTE 11 - Commitments and Contingencies

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the City as of December 31, 2021.

CITY OF HORTON, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 12 - 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 regulatory receipts. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 - Statutory Violations

Actual exceeded budgeted expenditures in the Employee Benefit, Sewer, Electric and Solid Waste funds, which is a violation of K.S.A. 79-2935.

The Employee Benefit and Industrial funds had negative ending unencumbered cash as of December 31, 2021, which is a violation of K.S.A. 10-1113.

NOTE 14 - Contingencies

The City is a party to various claims, none of which is expected to have material financial impact on the City.

NOTE 15 - Prior Period Adjustment

During the year ended December 31, 2021, management discovered certain errors recorded in the prior year financial statements. The effects of these items caused a restatement to beginning unencumbered cash in the Employee Benefit Fund of The City of Horton, Kansas as follows:

Unencumbered Cash, January 1, 2021	\$ [55,298]
Prior Period Adjustment	<u>220,295</u>
Unencumbered Cash, January 1, 2021, Restated	<u>\$ 164,997</u>

CITY OF HORTON, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021

<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 Funds:					
General	\$ 1,740,620	\$ -	\$ 1,740,620	\$ 1,515,962	\$ [224,658]
Special Purpose Funds:					
Employee Benefit	272,991	-	272,991	468,079	195,088
Industrial	-	-	-	-	-
Library	59,360	-	59,360	59,360	-
Special Highway	120,000	-	120,000	118,438	[1,562]
Capital Improvement	100,000	-	100,000	30,000	[70,000]
Equipment Reserve	106,385	-	106,385	49,999	[56,386]
Public Building Reserve	8,596	-	8,596	-	[8,596]
Court Diversion	17,224	-	17,224	247	[16,977]
911 Wireless	28,378	-	28,378	9,058	[19,320]
Sales Tax Revenue	128,200	-	128,200	128,200	-
Bond and Interest Fund:					
Bond and Interest	2,984	-	2,984	-	[2,984]
Enterprise Funds:					
Water	487,142	-	487,142	416,824	[70,318]
Sewer	485,435	-	485,435	489,620	4,185
Electric	1,782,209	-	1,782,209	1,788,876	6,667
Solid Waste	105,025	-	105,025	107,666	2,641

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Taxes	\$ 810,531	\$ 833,632	\$ 771,097	\$ 62,535
Intergovernmental	32,883	32,837	38,000	[5,163]
Franchise tax	31,312	37,400	46,000	[8,600]
Licenses	7,658	10,432	300	10,132
Fines and fees	56,315	88,179	109,300	[21,121]
Interest	24,715	7,331	5,754	1,577
Use of property	26,996	25,180	16,500	8,680
Charges for services	114,702	143,980	117,731	26,249
Grants	2,936	2,936	-	2,936
Transfer in	244,000	195,700	274,000	[78,300]
Miscellaneous	111,019	31,462	800	30,662
Total Receipts	<u>1,463,067</u>	<u>1,409,069</u>	<u>\$ 1,379,482</u>	<u>\$ 29,587</u>
Expenditures				
General Government				
Personnel	9,243	142,705	\$ 132,815	\$ 9,890
Contractual services	51,230	49,345	88,847	[39,502]
Commodities	8,876	12,231	7,375	4,856
Capital outlay	1,104	965	5,000	[4,035]
Miscellaneous	15,844	6,715	12,000	[5,285]
Law Enforcement				
Personnel	302,042	263,212	242,811	20,401
Contractual services	30,245	32,865	36,645	[3,780]
Commodities	18,091	26,136	25,824	312
Capital outlay	27,727	15,861	26,436	[10,575]
Debt service	4,105	3,533	3,454	79
Parks and Recreation				
Personnel	10,357	25,502	8,827	16,675
Contractual services	23,439	7,141	42,481	[35,340]
Commodities	19,532	17,651	22,382	[4,731]
Capital outlay	2,712	17,624	41,065	[23,441]
Streets				
Personnel	127	94,059	116,244	[22,185]
Contractual services	13,959	10,386	24,334	[13,948]
Commodities	47,687	51,789	44,386	7,403
Capital outlay	-	51,109	78,760	[27,651]
Cemetery	5,291	7,559	7,313	246
Airport	3,692	3,476	3,160	316

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
General Fund (Continued)
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Firing Range				
Contractual services	\$ 1,047	\$ 1,392	\$ -	\$ 1,392
Commodities	490	675	-	675
Pool				
Personnel	23,407	34,649	38,297	[3,648]
Contractual services	2,453	8,012	3,600	4,412
Commodities	12,129	15,719	18,102	[2,383]
Capital outlay	-	-	2,000	[2,000]
Communications				
Personnel	186,515	199,624	181,492	18,132
Contractual services	6,386	7,621	8,196	[575]
Commodities	5,794	7,765	12,270	[4,505]
Capital outlay	-	-	1,100	[1,100]
Court				
Personnel	34,445	32,439	30,351	2,088
Contractual services	18,146	27,398	27,070	328
Commodities	13,748	12,352	13,455	[1,103]
Fire Department				
Personnel	10,215	14,025	9,800	4,225
Contractual services	9,689	13,629	13,230	399
Commodities	8,342	9,541	6,371	3,170
Capital outlay	-	13,863	3,000	10,863
Debt service	-	310	-	310
Community Building				
Personnel	4,027	431	6,305	[5,874]
Contractual services	6,035	5,901	7,657	[1,756]
Commodities	811	3,759	1,800	1,959
Capital outlay	-	-	500	[500]
Armory Building				
Contractual services	8,734	7,870	15,690	[7,820]
Capital outlay	4,019	-	-	-
Library				
Contractual services	-	500	-	500
Employee benefits	17,042	14,730	21,000	[6,270]
Building demolition	11,486	27,729	30,000	[2,271]
Transfer out	131,476	212,320	315,722	[103,402]
Debt service	4,106	3,844	3,453	391
Total Expenditures	<u>1,115,845</u>	<u>\$ 1,515,962</u>	<u>\$ 1,740,620</u>	<u>\$ [224,658]</u>
Receipts Over [Under] Expenditures	347,222	[106,893]		
Unencumbered Cash, Beginning	<u>56,911</u>	<u>404,133</u>		
Unencumbered Cash, Ending	<u>\$ 404,133</u>	<u>\$ 297,240</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
Employee Benefit Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Transfer in	\$ 131,144	\$ 56,723	\$ 273,690	\$ [216,967]
Miscellaneous	<u>34,695</u>	<u>102,681</u>	<u>-</u>	<u>102,681</u>
Total Receipts	<u>165,839</u>	<u>159,404</u>	<u>\$ 273,690</u>	<u>\$ [114,286]</u>
Expenditures				
Personnel	<u>194,723</u>	<u>468,079</u>	<u>\$ 272,991</u>	<u>\$ 195,088</u>
Total Expenditures	<u>194,723</u>	<u>468,079</u>	<u>\$ 272,991</u>	<u>\$ 195,088</u>
Receipts Over [Under] Expenditures	<u>[28,884]</u>	<u>[308,675]</u>		
Unencumbered Cash, Beginning	[26,414]	[55,298]		
Prior Period Adjustment	<u>-</u>	<u>220,295</u>		
Unencumbered Cash, Beginning, Restated	<u>[26,414]</u>	<u>164,997</u>		
Unencumbered Cash, Ending	<u>\$ [55,298]</u>	<u>\$ [143,678]</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
Industrial Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes	\$ 12	\$ 22	\$ -	\$ 22
Total Receipts	<u>12</u>	<u>22</u>	<u>\$ -</u>	<u>\$ 22</u>
Expenditures				
Contractual services	<u>4,103</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenditures	<u>4,103</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	[4,091]	22		
Unencumbered Cash, Beginning	<u>1,595</u>	<u>[2,496]</u>		
Unencumbered Cash, Ending	<u>\$ [2,496]</u>	<u>\$ [2,474]</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
Library Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes	\$ 61,691	\$ 61,557	\$ 60,374	\$ 1,183
Miscellaneous	-	500	-	500
Total Receipts	<u>61,691</u>	<u>62,057</u>	<u>\$ 60,374</u>	<u>\$ 1,683</u>
Expenditures				
Distributions to library board	<u>59,365</u>	<u>59,360</u>	<u>\$ 59,360</u>	<u>\$ -</u>
Total Expenditures	<u>59,365</u>	<u>59,360</u>	<u>\$ 59,360</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	2,326	2,697		
Unencumbered Cash, Beginning	<u>[5,022]</u>	<u>[2,696]</u>		
Unencumbered Cash, Ending	<u>\$ [2,696]</u>	<u>\$ 1</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
Special Highway Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Intergovernmental	\$ 43,878	\$ 48,665	\$ 38,330	\$ 10,335
Total Receipts	<u>43,878</u>	<u>48,665</u>	<u>\$ 38,330</u>	<u>\$ 10,335</u>
Expenditures				
Contractual services	<u>89,838</u>	<u>118,438</u>	<u>\$ 120,000</u>	<u>\$ [1,562]</u>
Total Expenditures	<u>89,838</u>	<u>118,438</u>	<u>\$ 120,000</u>	<u>\$ [1,562]</u>
Receipts Over [Under] Expenditures	[45,960]	[69,773]		
Unencumbered Cash, Beginning	<u>150,366</u>	<u>104,406</u>		
Unencumbered Cash, Ending	<u>\$ 104,406</u>	<u>\$ 34,633</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
 Capital Improvement Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Transfer in	\$ 30,000	\$ 85,000	\$ 100,000	\$ [15,000]
Total Receipts	<u>30,000</u>	<u>85,000</u>	<u>\$ 100,000</u>	<u>\$ [15,000]</u>
Expenditures				
Capital outlay	-	-	\$ 100,000	\$ [100,000]
Transfer out	-	30,000	-	30,000
Total Expenditures	<u>-</u>	<u>30,000</u>	<u>\$ 100,000</u>	<u>\$ [70,000]</u>
Receipts Over [Under] Expenditures	30,000	55,000		
Unencumbered Cash, Beginning	-	30,000		
Unencumbered Cash, Ending	<u>\$ 30,000</u>	<u>\$ 85,000</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
Equipment Reserve Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Transfer in	\$ -	\$ 140,000	\$ 100,000	\$ 40,000
Total Receipts	<u>-</u>	<u>140,000</u>	<u>\$ 100,000</u>	<u>\$ 40,000</u>
Expenditures				
Capital outlay	-	24,999	\$ 106,385	\$ [81,386]
Transfer out	-	25,000	-	25,000
Total Expenditures	<u>-</u>	<u>49,999</u>	<u>\$ 106,385</u>	<u>\$ [56,386]</u>
Receipts Over [Under] Expenditures	-	90,001		
Unencumbered Cash, Beginning	<u>6,385</u>	<u>6,385</u>		
Unencumbered Cash, Ending	<u>\$ 6,385</u>	<u>\$ 96,386</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
Public Building Reserve Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Transfer in	\$ -	\$ -	\$ -	\$ -
Total Receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Capital outlay	-	-	\$ 8,596	\$ [8,596]
Total Expenditures	<u>-</u>	<u>-</u>	<u>\$ 8,596</u>	<u>\$ [8,596]</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	<u>8,596</u>	<u>8,596</u>		
Unencumbered Cash, Ending	<u>\$ 8,596</u>	<u>\$ 8,596</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
State Grant Fund
Schedule of Receipts and Expenditures - Actual*
Regulatory Basis
For the Year Ended December 31, 2021 and 2020

	Year Ended December 31,	
	<u>2020</u>	<u>2021</u>
Receipts		
Grants	\$ 124,502	\$ 4,801,205
Temporary note proceeds	3,303,000	-
Bond premium	-	52,535
Total Receipts	<u>3,427,502</u>	<u>4,853,740</u>
Expenditures		
Contractual services	1,572,730	3,565,952
Issuance cost	-	106,201
Debt service	<u>3,375,230</u>	<u>3,003,985</u>
Total Expenditures	<u>4,947,960</u>	<u>6,676,138</u>
Receipts Over [Under] Expenditures	[1,520,458]	[1,822,398]
Unencumbered Cash, Beginning	<u>3,322,699</u>	<u>1,802,241</u>
Unencumbered Cash, Ending	<u>\$ 1,802,241</u>	<u>\$ [20,157]</u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
 JAG Grant 2019/2020 Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Year Ended December 31, 2021 and 2020

	Year Ended December 31,	
	<u>2020</u>	<u>2021</u>
Receipts		
Grants	\$ 22,822	\$ -
Total Receipts	<u>22,822</u>	<u>-</u>
Expenditures		
Contractual services	<u>22,822</u>	<u>-</u>
Total Expenditures	<u>22,822</u>	<u>-</u>
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
 Asset Forfeiture Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Year Ended December 31, 2021 and 2020

	Year Ended December 31,	
	<u>2020</u>	<u>2021</u>
Receipts		
Transfers in	\$ 5,987	\$ -
Total Receipts	<u>5,987</u>	<u>-</u>
Expenditures		
Contractual services	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	5,987	-
Unencumbered Cash, Beginning	<u>-</u>	<u>5,987</u>
Unencumbered Cash, Ending	<u>\$ 5,987</u>	<u>\$ 5,987</u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
 Court Diversion Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Charges for services	\$ 1,265	\$ 5,945	\$ 4,200	\$ 1,745
Total Receipts	<u>1,265</u>	<u>5,945</u>	<u>\$ 4,200</u>	<u>\$ 1,745</u>
Expenditures				
Contractual services	<u>3,612</u>	<u>247</u>	<u>\$ 17,224</u>	<u>\$ [16,977]</u>
Total Expenditures	<u>3,612</u>	<u>247</u>	<u>\$ 17,224</u>	<u>\$ [16,977]</u>
Receipts Over [Under] Expenditures	[2,347]	5,698		
Unencumbered Cash, Beginning	<u>18,824</u>	<u>16,477</u>		
Unencumbered Cash, Ending	<u>\$ 16,477</u>	<u>\$ 22,175</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
 Energy Efficiency Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Year Ended December 31, 2021 and 2020

	Year Ended December 31,	
	<u>2020</u>	<u>2021</u>
Receipts		
Grants	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Contractual services	-	-
Total Expenditures	-	-
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	<u>2,775</u>	<u>2,775</u>
Unencumbered Cash, Ending	<u>\$ 2,775</u>	<u>\$ 2,775</u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
 911 Wireless Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
911 Fees	\$ 4,100	\$ 3,107	\$ 3,800	\$ [693]
Total Receipts	<u>4,100</u>	<u>3,107</u>	<u>\$ 3,800</u>	<u>\$ [693]</u>
Expenditures				
Contractual services	-	9,058	\$ 28,378	\$ [19,320]
Total Expenditures	<u>-</u>	<u>9,058</u>	<u>\$ 28,378</u>	<u>\$ [19,320]</u>
Receipts Over [Under] Expenditures	4,100	[5,951]		
Unencumbered Cash, Beginning	<u>20,478</u>	<u>24,578</u>		
Unencumbered Cash, Ending	<u>\$ 24,578</u>	<u>\$ 18,627</u>		

CITY OF HORTON, KANSAS
Sales Tax Revenue Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes	\$ 181,199	\$ 187,681	\$ 170,000	\$ 17,681
Total Receipts	<u>181,199</u>	<u>187,681</u>	<u>\$ 170,000</u>	<u>\$ 17,681</u>
Expenditures				
Debt service	<u>129,600</u>	<u>128,200</u>	<u>\$ 128,200</u>	<u>\$ -</u>
Total Expenditures	<u>129,600</u>	<u>128,200</u>	<u>\$ 128,200</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	51,599	59,481		
Unencumbered Cash, Beginning	<u>302,631</u>	<u>354,230</u>		
Unencumbered Cash, Ending	<u>\$ 354,230</u>	<u>\$ 413,711</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
 ARPA Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Year Ended December 31, 2021

Receipts	
Grants	\$ 128,573
Total Receipts	<u>128,573</u>
Expenditures	
Contractual services	<u>-</u>
Total Expenditures	<u>-</u>
Receipts Over [Under] Expenditures	128,573
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 128,573</u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
 Pool Project Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Year Ended December 31, 2021 and 2020

	Year Ended December 31,	
	<u>2020</u>	<u>2021</u>
Receipts		
Transfer in	\$ 710	\$ -
Total Receipts	<u>710</u>	<u>-</u>
Expenditures		
Capital outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	710	-
Unencumbered Cash, Beginning	<u>[710]</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
 Fire Truck Lease Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Year Ended December 31, 2021

Receipts	
Transfer in	\$ 25,000
Miscellaneous	
Lease proceeds	<u>30,014</u>
Total Receipts	<u>55,014</u>
Expenditures	
Contractual services	14
Transfer out	<u>55,000</u>
Total Expenditures	<u>55,014</u>
Receipts Over [Under] Expenditures	-
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
 Baseball Field Project Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Year Ended December 31, 2021

Receipts	
Transfer in	\$ 30,000
Miscellaneous revenue	<u>5,000</u>
Total Receipts	<u>35,000</u>
 Expenditures	
Transfer out	13,950
Contractual services	<u>25,265</u>
Total Expenditures	<u>39,215</u>
 Receipts Over [Under] Expenditures	 [4,215]
 Unencumbered Cash, Beginning	 <u>-</u>
 Unencumbered Cash, Ending	 <u>\$ [4,215]</u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
 Capital Improvement - Crime Prevention Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Year Ended December 31, 2021 and 2020

	Year Ended December 31,	
	<u>2020</u>	<u>2021</u>
Receipts		
Donations	\$ 1,000	\$ 1,001
Total Receipts	<u>1,000</u>	<u>1,001</u>
Expenditures		
Transfer out	<u>5,987</u>	<u>-</u>
Total Expenditures	<u>5,987</u>	<u>-</u>
Receipts Over [Under] Expenditures	[4,987]	1,001
Unencumbered Cash, Beginning	<u>7,928</u>	<u>2,941</u>
Unencumbered Cash, Ending	<u>\$ 2,941</u>	<u>\$ 3,942</u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS
Bond and Interest Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes	\$ 145	\$ 209	\$ -	\$ 209
Transfers in	19,168	-	-	-
Total Receipts	<u>19,313</u>	<u>209</u>	<u>\$ -</u>	<u>\$ 209</u>
Expenditures				
Principal	17,900	-	\$ 2,984	\$ [2,984]
Interest	714	-	-	-
Total Expenditures	<u>18,614</u>	<u>-</u>	<u>\$ 2,984</u>	<u>\$ [2,984]</u>
Receipts Over [Under] Expenditures	699	209		
Unencumbered Cash, Beginning	<u>2,434</u>	<u>3,133</u>		
Unencumbered Cash, Ending	<u>\$ 3,133</u>	<u>\$ 3,342</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
Water Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Charges for services	\$ 379,062	\$ 391,085	\$ 425,850	\$ [34,765]
Miscellaneous	<u>16,171</u>	<u>1,374</u>	<u>-</u>	<u>1,374</u>
Total Receipts	<u>395,233</u>	<u>392,459</u>	<u>\$ 425,850</u>	<u>\$ [33,391]</u>
Expenditures				
Personnel	103,799	113,548	\$ 121,868	\$ [8,320]
Contractual services	58,670	59,373	39,849	19,524
Commodities	40,134	45,019	36,972	8,047
Capital outlay	11,038	31,560	55,000	[23,440]
Debt service	164,082	156,491	185,651	[29,160]
Transfer out	<u>9,489</u>	<u>10,833</u>	<u>47,802</u>	<u>[36,969]</u>
Total Expenditures	<u>387,212</u>	<u>416,824</u>	<u>\$ 487,142</u>	<u>\$ [70,318]</u>
Receipts Over [Under] Expenditures	8,021	[24,365]		
Unencumbered Cash, Beginning	<u>269,501</u>	<u>277,522</u>		
Unencumbered Cash, Ending	<u>\$ 277,522</u>	<u>\$ 253,157</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
Sewer Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Charges for services	\$ 461,091	\$ 466,384	\$ 474,271	\$ [7,887]
Transfer in	-	107,000	-	107,000
Miscellaneous	50	3,504	-	3,504
Total Receipts	<u>461,141</u>	<u>576,888</u>	<u>\$ 474,271</u>	<u>\$ 102,617</u>
Expenditures				
Personnel	107,637	118,677	\$ 125,000	\$ [6,323]
Contractual services	26,545	17,209	45,000	[27,791]
Commodities	12,452	12,490	11,133	1,357
Capital outlay	6,814	483	20,000	[19,517]
Debt service	262,563	339,521	236,500	103,021
Transfer out	6,931	1,240	47,802	[46,562]
Total Expenditures	<u>422,942</u>	<u>489,620</u>	<u>\$ 485,435</u>	<u>\$ 4,185</u>
Receipts Over [Under] Expenditures	38,199	87,268		
Unencumbered Cash, Beginning	<u>169,130</u>	<u>207,329</u>		
Unencumbered Cash, Ending	<u>\$ 207,329</u>	<u>\$ 294,597</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
Electric Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services	\$ 1,586,826	\$ 2,063,855	\$ 1,680,233	\$ 383,622
Total Receipts	<u>1,586,826</u>	<u>2,063,855</u>	<u>\$ 1,680,233</u>	<u>\$ 383,622</u>
Expenditures				
Personnel	335,665	168,836	\$ 194,465	\$ [25,629]
Contractual services	137,683	128,914	130,172	[1,258]
Commodities	820,049	973,914	896,460	77,454
Capital outlay	23,660	34,734	33,200	1,534
Debt service	197,050	195,398	195,398	-
Miscellaneous	-	-	150	[150]
Transfer out	<u>273,127</u>	<u>287,080</u>	<u>332,364</u>	<u>[45,284]</u>
Total Expenditures	<u>1,787,234</u>	<u>1,788,876</u>	<u>\$ 1,782,209</u>	<u>\$ 6,667</u>
Receipts Over [Under] Expenditures	[200,408]	274,979		
Unencumbered Cash, Beginning	<u>1,118,654</u>	<u>918,246</u>		
Unencumbered Cash, Ending	<u>\$ 918,246</u>	<u>\$ 1,193,225</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
Solid Waste Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Receipts				
Charges for services	\$ 110,395	\$ 112,508	\$ 110,500	\$ 2,008
Total Receipts	<u>110,395</u>	<u>112,508</u>	<u>\$ 110,500</u>	<u>\$ 2,008</u>
Expenditures				
Contractual services	100,610	103,666	\$ 101,025	\$ 2,641
Transfer out	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Total Expenditures	<u>104,610</u>	<u>107,666</u>	<u>\$ 105,025</u>	<u>\$ 2,641</u>
Receipts Over [Under] Expenditures	5,785	4,842		
Unencumbered Cash, Beginning	<u>36,826</u>	<u>42,611</u>		
Unencumbered Cash, Ending	<u>\$ 42,611</u>	<u>\$ 47,453</u>		

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
Private-Purpose Trust Funds
Schedule of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2021

<u>FUNDS</u>	Beginning Unencumbered Cash Balance	<u>Receipts</u>	<u>Expenditures</u>	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Schneider Poor	\$ 2,464	11	\$ -	\$ 2,475	\$ -	\$ 2,475
Heart of Horton	2,260	1,803	421	3,642	-	3,642
Restricted Donation (Cemetery Trees)	7,446	1,070	-	8,516	-	8,516
Cemetery Memorial	<u>1,461</u>	<u>7</u>	<u>-</u>	<u>1,468</u>	<u>-</u>	<u>1,468</u>
Total Private-Purpose Trust Fund	<u>\$ 13,631</u>	<u>\$ 2,891</u>	<u>\$ 421</u>	<u>\$ 16,101</u>	<u>\$ -</u>	<u>\$ 16,101</u>

See independent auditor's report on the financial statements.

CITY OF HORTON, KANSAS
Horton Free Public Library - Related Municipal Entity
Schedule of Receipts and Expenditures - Actual*
Regulatory Basis
For the Year Ended December 31, 2021

Receipts	
Northeast Kansas Library System	\$ 19,696
City appropriation	74,201
Interest	32
Donations	7,431
Miscellaneous	<u>479</u>
Total Receipts	<u>101,839</u>
Expenditures	
Personnel	59,948
Contractual services	11,095
Commodities	<u>52,072</u>
Total Expenditures	<u>123,115</u>
Receipts Over [Under] Expenditures	[21,276]
Unencumbered Cash, Beginning	<u>47,300</u>
Unencumbered Cash, Ending	<u><u>\$ 26,024</u></u>

* This fund is not required to be budgeted.

CITY OF HORTON, KANSAS

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Water & Waste Disposal Systems for Rural Communities	10.760	\$ 1,871,718
Total U.S. Department of Agriculture		1,871,718
<u>U.S. Department of Housing and Urban Development</u>		
Passed Through Kansas Department of Commerce:		
Community Development Block Grants/Entitlement Grants	14.218	42,500
Total U.S. Department of Justice		42,500
<u>U.S. Department of Transportation</u>		
Passed Through Kansas Department of Transportation:		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	211
Total Highway Safety Cluster		211
Total U.S. Department of Transportation		211
Total Expenditures of Federal Awards		\$ 1,914,429

The accompanying notes are an integral part of this schedule.

CITY OF HORTON, KANSAS

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021

1. Organization

The City of Horton, Kansas, (the City), is the recipient of several federal awards. All federal awards received directly from federal agencies as well as those awards that are passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the Kansas regulatory basis of accounting, which includes cash disbursements, accounts payable and encumbrances. The information presented in this schedule is in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. The City elected not to use the 10% de minimis indirect cost rate.

3. Local Government Contributions

Local cost sharing is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

4. Additional Audits

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy and efficiency and program results that may result in disallowed costs to the City. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at December 31, 2021.

5. Outstanding Loans

The City did not have any outstanding loans under any federal grants as of December 31, 2021.

6. Pass Through Numbers

Pass through numbers have not been assigned to pass through grants on the Schedule of Expenditures of Federal Awards.

CITY OF HORTON, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Internal control over financial reporting: Material weakness(es) identified? Significant deficiency(ies) identified that are not considered to be material weaknesses? Noncompliance material to financial statements noted?	<table border="0"> <tr> <td style="text-align: center;">Unmodified (Regulatory Basis)</td> </tr> <tr> <td style="text-align: center;"><u>Adverse (GAAP)</u></td> </tr> <tr> <td style="text-align: center;">_____ Yes <u> X </u> No</td> </tr> <tr> <td style="text-align: center;">_____ Yes <u> X </u> None reported</td> </tr> <tr> <td style="text-align: center;">_____ Yes <u> X </u> No</td> </tr> </table>	Unmodified (Regulatory Basis)	<u>Adverse (GAAP)</u>	_____ Yes <u> X </u> No	_____ Yes <u> X </u> None reported	_____ Yes <u> X </u> No
Unmodified (Regulatory Basis)						
<u>Adverse (GAAP)</u>						
_____ Yes <u> X </u> No						
_____ Yes <u> X </u> None reported						
_____ Yes <u> X </u> No						

Federal Awards

Internal control over major programs: Material weakness(es) identified? Significant deficiency(ies) identified that are not considered to be material weaknesses? Type of auditor's report issued on compliance for major programs: Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance?	<table border="0"> <tr> <td style="text-align: center;">_____ Yes <u> X </u> No</td> </tr> <tr> <td style="text-align: center;">_____ Yes <u> X </u> None reported</td> </tr> <tr> <td style="text-align: center;">_____ Unmodified</td> </tr> <tr> <td style="text-align: center;">_____ Yes <u> X </u> No</td> </tr> </table>	_____ Yes <u> X </u> No	_____ Yes <u> X </u> None reported	_____ Unmodified	_____ Yes <u> X </u> No
_____ Yes <u> X </u> No					
_____ Yes <u> X </u> None reported					
_____ Unmodified					
_____ Yes <u> X </u> No					

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water & Waste Disposal Systems for Rural Communities
Dollar threshold used to distinguish between type A and type B programs:	_____ \$750,000
Auditee qualified as low-risk auditee?	_____ Yes <u> X </u> No

CITY OF HORTON, KANSAS
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2021

Section II - Financial Statement Findings

Current Year Findings

None Noted.

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None Noted.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

Mayor and City Commission
City of Horton, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the financial statements of the City of Horton, Kansas (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 19, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

September 19, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Mayor and City Commission
City of Horton, Kansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Horton, Kansas (the City), with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirement referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grants agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion of the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgement and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Example Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies, and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the City as of and for the year ended December 31, 2021, and have issued our report thereon dated September 19, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

September 19, 2022