

**CITY OF HORTON, KANSAS**

**Financial Statements**

**For the Year Ended December 31, 2011**

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CITY OF HORTON, KANSAS  
 Financial Statements  
 For the Year Ended December 31, 2011

Table of Contents

	<u>Page Number</u>
<b>INTRODUCTORY SECTION</b>	
Table of Contents	i - ii
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report on the Financial Statements	1 - 2
<b>STATEMENT 1</b>	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	3
<b>STATEMENT 2</b>	
Summary of Expenditures - Actual and Budget	4
<b>STATEMENT 3</b>	
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
Energy Efficiency Fund	13
Bond and Interest Fund	14
Water Fund	15
Sewer Fund	16
Electric Fund	17
Solid Waste Fund	18
<b>STATEMENT 4</b>	
Statement of Cash Receipts and Cash Disbursements – Component Units	
Horton Free Public Library	19
<b>STATEMENT 5</b>	
Statement of Cash, Cash Receipts and Cash Disbursements Agency Funds	20
<b>STATEMENT 6</b>	
Statement of Cash Receipts, Expenditures, and Unencumbered Cash Private-Purpose Trust Funds	21
Notes to the Financial Statements	22 – 29

CITY OF HORTON, KANSAS  
Financial Statements  
For the Year Ended December 31, 2011

Table of Contents

	<u>Page Number</u>
GOVERNMENTAL AUDIT SECTION	
Schedule of Expenditures of Federal Awards	30
Schedule of Findings and Questioned Costs	31 - 32
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"	33 - 34
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	35 - 36



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COMPANY P.A.

## 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, 2011, 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. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2010. In our report dated November 1, 2011, on those financial statements, we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unqualified opinion as to presentation on the Kansas prescribed basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States and "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 control 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 one of the component units of the City of Horton, Kansas as of December 31, 2011.

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 one, but not all, of the 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, 2011, or the respective changes in financial position for the year then ended.

[www.mizehouser.com](http://www.mizehouser.com) ■ [mhco@mizehouser.com](mailto:mhco@mizehouser.com)

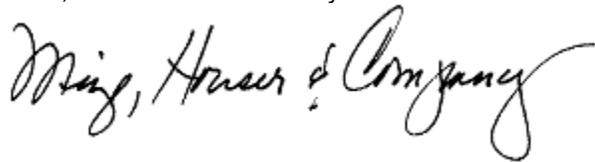
534 S Kansas Ave, Suite 700 ■ Topeka, KS 66603-3465 ■ 785.233.0536 p ■ 785.233.1078 f  
534 S Kansas Ave, Suite 400 ■ Topeka, KS 66603-3454 ■ 785.234.5573 p ■ 785.234.1037 f  
7101 College Blvd, Suite 900 ■ Overland Park, KS 66210-1984 ■ 913.451.1882 p ■ 913.451.2211 f  
120 E Ninth ■ Lawrence, KS 66044-2682 ■ 785.842.8844 p ■ 785.842.9049 f  
900 Massachusetts, Suite 301 ■ Lawrence, KS 66044-2868 ■ 785.749.5050 p ■ 785.749.5061 f

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, 2011, and its cash receipts and expenditures by fund, and fund budget to actual comparisons, for the year then ended, taken as a whole, on the prescribed basis of accounting described in Note 1.

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2010, from which such partial information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the City taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U. S. Office of Management and Budget Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate 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 account 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



August 23, 2012

CITY OF HORTON, KANSAS  
Summary of Cash Receipts, Expenditures and Unencumbered Cash  
For the Year Ended December 31, 2011

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	\$ 91,474	\$ -	\$ 1,365,900	\$ 1,430,776	\$ 26,598	\$ -	\$ 26,598
Special Revenue Funds:							
Industrial Fund	9,487	-	6,534	3,200	12,821	-	12,821
Special Highway Fund	18,899	-	46,426	-	65,325	-	65,325
Equipment Reserve Fund	14,475	-	2,000	6,090	10,385	-	10,385
Public Building Reserve Fund	925	-	800	388	1,337	-	1,337
State Grant Fund	[297,503]	-	9,041,447	6,981,236	1,762,708	131,175	1,893,883
Court Diversion Fund	6,457	-	3,450	1,250	8,657	-	8,657
Energy Efficiency Fund	-	-	10,600	10,600	-	-	-
Debt Service Fund:							
Bond and Interest Fund	1,869	-	17,729	18,656	942	-	942
Enterprise Funds:							
Water Fund	299,874	-	446,789	286,950	459,713	-	459,713
Sewer Fund	114,024	-	174,684	218,292	70,416	-	70,416
Electric Fund	1,191,094	-	1,498,278	1,332,835	1,356,537	-	1,356,537
Solid Waste Fund	11,223	-	106,755	112,992	4,986	-	4,986
Private-Purpose Trust Funds	16,667	-	695	2,403	14,959	-	14,959
<b>Total Primary Government</b>	<b>1,478,965</b>	<b>-</b>	<b>12,722,087</b>	<b>10,405,668</b>	<b>3,795,384</b>	<b>131,175</b>	<b>3,926,559</b>
Component Units:							
Horton Free Public Library	96,543	-	69,279	62,957	102,865	-	102,865
<b>Total Reporting Entity</b>	<b>\$ 1,575,508</b>	<b>\$ -</b>	<b>\$ 12,791,366</b>	<b>\$ 10,468,625</b>	<b>\$ 3,898,249</b>	<b>\$ 131,175</b>	<b>\$ 4,029,424</b>

## COMPOSITION OF CASH:

Horton National Bank:	
Checking	\$ 3,523,891
Certificates of Deposit	2,428
Savings	1,380
Union State Bank:	
Certificates of Deposit	100,000
Savings - Library	32,213
Pony Express Community Bank:	
Checking	44,830
Certificates of Deposit	200,000
State of Kansas Municipal Investment Pool	50,716
Horton National Bank - Library:	
Checking	17,915
Savings	52,737
<b>Total Cash</b>	<b>4,026,110</b>
 Less: Agency Funds	 <u>3,314</u>
 <b>Total (Excluding Agency Funds)</b>	 <b><u>\$ 4,029,424</u></b>

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

STATEMENT 2

CITY OF HORTON, KANSAS  
 Summary of Expenditures - Actual and Budget  
 For the Year Ended December 31, 2011

<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	\$ 1,438,098	\$ -	\$ 1,438,098	\$ 1,430,776	\$ 7,322
Special Revenue Funds:					
Industrial	14,740	-	14,740	3,200	11,540
Special Highway	58,000	-	58,000	-	58,000
Equipment Reserve	16,000	-	16,000	6,090	9,910
Public Building Reserve	2,500	-	2,500	388	2,112
Court Diversion	4,000	-	4,000	1,250	2,750
Debt Service Fund:					
Bond and Interest Fund	19,473	-	19,473	18,656	817
Enterprise Funds:					
Water	323,934	-	323,934	286,950	36,984
Sewer	226,147	-	226,147	218,292	7,855
Electric	2,028,625	-	2,028,625	1,332,835	695,790
Solid Waste	116,000	-	116,000	112,992	3,008

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, 2011  
(With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
<b>Cash Receipts</b>				
Taxes	\$ 756,679	\$ 734,979	\$ 786,936	\$ [51,957]
Intergovernmental	19,716	19,716	20,000	[284]
Franchise tax	49,034	44,327	60,000	[15,673]
Licenses	4,834	3,821	2,700	1,121
Fines and fees	55,100	80,378	85,835	[5,457]
Interest	22,449	12,577	25,000	[12,423]
Use of property	25,014	33,200	-	33,200
Charges for services	54,653	57,645	57,350	295
Grants	3,751	3,533	-	3,533
Transfer in	297,000	297,000	297,000	-
Reimbursement	25,892	17,161	16,800	361
Proceeds from sale of equipment	-	29,199	-	29,199
Lease proceeds	-	32,364	-	32,364
Miscellaneous	-	-	10,000	[10,000]
<b>Total Cash Receipts</b>	<b>1,314,122</b>	<b>1,365,900</b>	<b>\$ 1,361,621</b>	<b>\$ 4,279</b>
<b>Expenditures and Transfers Subject to Budget</b>				
<b>General Government</b>				
Personnel	176,963	153,003	\$ 181,337	\$ 28,334
Contractual services	58,303	38,765	61,652	22,887
Commodities	17,921	12,380	34,015	21,635
Capital outlay	4,432	957	2,000	1,043
Debt service	-	-	3,852	3,852
Miscellaneous	2,254	1,843	-	[1,843]
<b>Law Enforcement</b>				
Personnel	205,688	185,381	195,967	10,586
Contractual services	12,569	12,887	11,707	[1,180]
Commodities	21,368	30,128	31,420	1,292
Debt service	-	-	16,920	16,920
Capital outlay	1,812	-	-	-
<b>Parks and Recreation</b>				
Personnel	13,505	13,546	13,949	403
Contractual services	8,183	9,738	8,500	[1,238]
Commodities	19,718	18,946	15,000	[3,946]
Capital outlay	16,460	22,000	22,578	578
<b>Streets</b>				
Personnel	105,253	107,589	108,675	1,086
Contractual services	14,319	16,822	30,000	13,178
Commodities	94,115	138,580	76,000	[62,580]
Capital outlay	3,552	32,364	65,973	33,609
Debt service	-	-	3,828	3,828
<b>Library</b>				
Contractual services	42,000	42,600	42,600	-
Capital outlay	4,200	4,200	4,200	-

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, 2011  
(With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance Positive [Negative]
Cemetery	\$ 12,200	\$ 9,789	\$ 15,657	\$ 5,868
Airport	2,229	2,373	2,300	[73]
Firing Range				
Contractual services	198	483	-	[483]
Commodities	5,381	5,820	1,200	[4,620]
Pool				
Personnel	29,734	35,234	35,700	466
Contractual services	1,472	7,615	10,000	2,385
Commodities	8,889	9,737	17,000	7,263
Capital outlay	9,012	-	-	-
Communications				
Personnel	132,020	140,057	134,649	[5,408]
Contractual services	9,612	16,972	13,760	[3,212]
Commodities	11,254	10,310	10,251	[59]
Capital outlay	2,039	1,900	3,000	1,100
Court				
Personnel	5,167	5,167	5,200	33
Contractual services	12,810	12,195	8,568	[3,627]
Commodities	16,504	20,224	11,083	[9,141]
Fire Department				
Personnel	7,900	8,935	13,905	4,970
Contractual services	9,858	8,449	10,016	1,567
Commodities	15,007	5,114	7,254	2,140
Capital outlay	1,300	3,107	10,200	7,093
Community Building				
Personnel	699	-	-	-
Contractual services	1,133	2,195	-	[2,195]
Commodities	3,380	4,830	-	[4,830]
Capital outlay	1,209	-	-	-
Community Services				
Personnel	-	31,012	-	[31,012]
Contractual services	-	856	-	[856]
Commodities	-	2,826	-	[2,826]
Armory Building				
Contractual services	586	5,859	-	[5,859]
Employee benefits	113,701	157,539	135,000	[22,539]
Building demolition	7,570	21,988	17,000	[4,988]
Transfer out	2,800	2,800	2,800	-
Miscellaneous	-	-	11,018	11,018
Debt service	27,124	55,661	-	[55,661]
Adjustment for qualifying budget credits	-	-	32,364	32,364
Total Expenditures and Transfers Subject to Budget	<u>1,273,403</u>	<u>1,430,776</u>	<u>\$ 1,438,098</u>	<u>\$ 7,322</u>
Receipts Over [Under] Expenditures	40,719	[64,876]		
Unencumbered Cash, Beginning	<u>50,755</u>	<u>91,474</u>		
Unencumbered Cash, Ending	<u>\$ 91,474</u>	<u>\$ 26,598</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, 2011  
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 6,918	\$ 6,534	\$ 6,981	\$ [447]
Total Cash Receipts	<u>6,918</u>	<u>6,534</u>	<u>\$ 6,981</u>	<u>\$ [447]</u>
Expenditures and Transfers Subject to Budget				
Contractual	-	-	\$ 14,500	\$ 14,500
Commodities	5,289	3,200	-	[3,200]
Neighborhood revitalization rebate	-	-	240	240
Total Expenditures and Transfers Subject to Budget	<u>5,289</u>	<u>3,200</u>	<u>\$ 14,740</u>	<u>\$ 11,540</u>
Receipts Over [Under] Expenditures	1,629	3,334		
Unencumbered Cash, Beginning	<u>7,858</u>	<u>9,487</u>		
Unencumbered Cash, Ending	<u>\$ 9,487</u>	<u>\$ 12,821</u>		

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

STATEMENT 3-3

CITY OF HORTON, KANSAS  
 Special Highway Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 48,084	\$ 46,426	\$ 49,750	\$ [3,324]
Intergovernmental	<u>110,709</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Receipts	<u>158,793</u>	<u>46,426</u>	<u>\$ 49,750</u>	<u>\$ [3,324]</u>
Expenditures and Transfers Subject to Budget				
Contractual services	<u>201,116</u>	<u>-</u>	<u>\$ 58,000</u>	<u>\$ 58,000</u>
Total Expenditures and Transfers Subject to Budget	<u>201,116</u>	<u>-</u>	<u>\$ 58,000</u>	<u>\$ 58,000</u>
Receipts Over [Under] Expenditures	[42,323]	46,426		
Unencumbered Cash, Beginning	<u>61,222</u>	<u>18,899</u>		
Unencumbered Cash, Ending	<u>\$ 18,899</u>	<u>\$ 65,325</u>		

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

CITY OF HORTON, KANSAS  
 Equipment Reserve Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Transfer in	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Total Cash Receipts	<u>2,000</u>	<u>2,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>
Expenditures and Transfers Subject to Budget				
Commodities	-	6,090	\$ 16,000	\$ 9,910
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>6,090</u>	<u>\$ 16,000</u>	<u>\$ 9,910</u>
Receipts Over [Under] Expenditures	2,000	[4,090]		
Unencumbered Cash, Beginning	<u>12,475</u>	<u>14,475</u>		
Unencumbered Cash, Ending	<u>\$ 14,475</u>	<u>\$ 10,385</u>		

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

STATEMENT 3-5

CITY OF HORTON, KANSAS  
 Public Building Reserve Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Transfer in	\$ 800	\$ 800	\$ 800	\$ -
Total Cash Receipts	<u>800</u>	<u>800</u>	<u>\$ 800</u>	<u>\$ -</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	780	388	\$ 2,500	\$ 2,112
Total Expenditures and Transfers Subject to Budget	<u>780</u>	<u>388</u>	<u>\$ 2,500</u>	<u>\$ 2,112</u>
Receipts Over [Under] Expenditures	20	412		
Unencumbered Cash, Beginning	<u>905</u>	<u>925</u>		
Unencumbered Cash, Ending	<u>\$ 925</u>	<u>\$ 1,337</u>		

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

CITY OF HORTON, KANSAS  
 State Grant Fund  
 Statement of Cash Receipts and Expenditures - Actual\*  
 For the Year Ended December 31, 2011 and 2010

	Year Ended December 31,	
	<u>2011</u>	<u>2010</u>
Cash Receipts		
Grants	\$ 1,757,904	\$ 1,508,305
Interest income	-	3,591
Use of property	17,773	33,310
Miscellaneous	27,770	26,003
Bond proceeds	7,168,000	4,411,400
Sale of land	70,000	-
Transfers in	-	101,914
Total Cash Receipts	<u>9,041,447</u>	<u>6,084,523</u>
Expenditures and Transfers		
Contractual	971,374	2,989,279
Commodities	45,724	128,043
Bond payment	5,725,015	4,144,030
Capital outlay	239,123	11,992
Total Expenditures and Transfers	<u>6,981,236</u>	<u>7,273,344</u>
Receipts Over [Under] Expenditures	2,060,211	[1,188,821]
Unencumbered Cash, Beginning	<u>[297,503]</u>	<u>891,318</u>
Unencumbered Cash, Ending	<u>\$ 1,762,708</u>	<u>\$ [297,503]</u>

\* This fund is not required to be budgeted.

STATEMENT 3-7

CITY OF HORTON, KANSAS  
 Court Diversion Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 2,200	\$ 3,450	\$ 2,000	\$ 1,450
Total Cash Receipts	<u>2,200</u>	<u>3,450</u>	<u>\$ 2,000</u>	<u>\$ 1,450</u>
Expenditures and Transfers Subject to Budget				
Commodities	-	1,250	\$ 4,000	\$ 2,750
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>1,250</u>	<u>\$ 4,000</u>	<u>\$ 2,750</u>
Receipts Over [Under] Expenditures	2,200	2,200		
Unencumbered Cash, Beginning	<u>4,257</u>	<u>6,457</u>		
Unencumbered Cash, Ending	<u>\$ 6,457</u>	<u>\$ 8,657</u>		

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

CITY OF HORTON, KANSAS  
Energy Efficiency Fund  
Statement of Cash Receipts and Expenditures - Actual\*  
For the Year Ended December 31, 2011

Cash Receipts	
Grants	\$ 10,600
Total Cash Receipts	<u>10,600</u>
Expenditures and Transfers	
Contractual	<u>10,600</u>
Total Expenditures and Transfers	<u>10,600</u>
Receipts Over [Under] Expenditures	-
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>

\* This fund is not required to be budgeted.

STATEMENT 3-9

CITY OF HORTON, KANSAS  
 Bond and Interest Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 1,072	\$ 17,729	\$ 19,187	\$ [1,458]
Total Cash Receipts	<u>1,072</u>	<u>17,729</u>	<u>\$ 19,187</u>	<u>\$ [1,458]</u>
Expenditures and Transfers Subject to Budget				
Principal	-	12,600	\$ 12,600	\$ -
Interest	-	6,056	6,056	-
Miscellaneous	-	-	817	817
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>18,656</u>	<u>\$ 19,473</u>	<u>\$ 817</u>
Receipts Over [Under] Expenditures	1,072	[927]		
Unencumbered Cash, Beginning	<u>797</u>	<u>1,869</u>		
Unencumbered Cash, Ending	<u>\$ 1,869</u>	<u>\$ 942</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, 2011  
(With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 410,132	\$ 445,744	\$ 373,800	\$ 71,944
Miscellaneous	-	1,045	-	1,045
Total Cash Receipts	<u>410,132</u>	<u>446,789</u>	<u>\$ 373,800</u>	<u>\$ 72,989</u>
Expenditures and Transfers Subject to Budget				
Personnel	110,657	119,372	\$ 127,310	\$ 7,938
Contractual	96,530	74,233	47,500	[26,733]
Commodities	42,629	35,197	78,742	43,545
Capital outlay	34,823	26,268	20,367	[5,901]
Debt service	25,543	6,880	25,015	18,135
Transfer out	25,000	25,000	25,000	-
Total Expenditures and Transfers Subject to Budget	<u>335,182</u>	<u>286,950</u>	<u>\$ 323,934</u>	<u>\$ 36,984</u>
Receipts Over [Under] Expenditures	74,950	159,839		
Unencumbered Cash, Beginning	<u>224,924</u>	<u>299,874</u>		
Unencumbered Cash, Ending	<u>\$ 299,874</u>	<u>\$ 459,713</u>		

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

CITY OF HORTON, KANSAS  
Sewer Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 178,758	\$ 174,647	\$ 190,000	\$ [15,353]
Miscellaneous	<u>324</u>	<u>37</u>	<u>-</u>	<u>37</u>
Total Cash Receipts	<u>179,082</u>	<u>174,684</u>	<u>\$ 190,000</u>	<u>\$ [15,316]</u>
Expenditures and Transfers Subject to Budget				
Personnel	75,400	90,128	\$ 76,421	\$ [13,707]
Contractual	41,931	32,095	16,000	[16,095]
Commodities	18,175	18,993	59,521	40,528
Capital outlay	13,159	11,245	11,500	255
Debt service	38,560	40,831	37,705	[3,126]
Transfer out	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>212,225</u>	<u>218,292</u>	<u>\$ 226,147</u>	<u>\$ 7,855</u>
Receipts Over [Under] Expenditures	[33,143]	[43,608]		
Unencumbered Cash, Beginning	<u>147,167</u>	<u>114,024</u>		
Unencumbered Cash, Ending	<u>\$ 114,024</u>	<u>\$ 70,416</u>		

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

CITY OF HORTON, KANSAS  
 Electric Fund  
 Statement of Cash Receipts and Expenditures - Actual and Budget  
 For the Year Ended December 31, 2011  
 (With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 1,510,910	\$ 1,489,382	\$ 1,750,000	\$ [260,618]
Grants	-	8,896	-	[8,896]
Total Cash Receipts	<u>1,510,910</u>	<u>1,498,278</u>	<u>\$ 1,750,000</u>	<u>\$ [269,514]</u>
Expenditures and Transfers Subject to Budget				
Personnel	109,719	135,141	\$ 146,851	\$ 11,710
Contractual	95,271	85,673	120,645	34,972
Commodities	688,721	687,454	1,335,141	647,687
Capital outlay	22,588	-	-	-
Transfer out	336,914	235,000	235,000	-
Debt service	<u>184,748</u>	<u>189,567</u>	<u>190,988</u>	<u>1,421</u>
Total Expenditures and Transfers Subject to Budget	<u>1,437,961</u>	<u>1,332,835</u>	<u>\$ 2,028,625</u>	<u>\$ 695,790</u>
Receipts Over [Under] Expenditures	72,949	165,443		
Unencumbered Cash, Beginning	<u>1,118,145</u>	<u>1,191,094</u>		
Unencumbered Cash, Ending	<u>\$ 1,191,094</u>	<u>\$ 1,356,537</u>		

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

CITY OF HORTON, KANSAS  
Solid Waste Fund  
Statement of Cash Receipts and Expenditures - Actual and Budget  
For the Year Ended December 31, 2011  
(With Comparative Actual Amounts For the Year Ended December 31, 2010)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 107,539	\$ 106,755	\$ 108,000	\$ [1,245]
Total Cash Receipts	<u>107,539</u>	<u>106,755</u>	<u>\$ 108,000</u>	<u>\$ [1,245]</u>
Expenditures and Transfers Subject to Budget				
Contractual	103,066	100,992	\$ 104,000	\$ 3,008
Transfer out	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>115,066</u>	<u>112,992</u>	<u>\$ 116,000</u>	<u>\$ 3,008</u>
Receipts Over [Under] Expenditures	[7,527]	[6,237]		
Unencumbered Cash, Beginning	<u>18,750</u>	<u>11,223</u>		
Unencumbered Cash, Ending	<u>\$ 11,223</u>	<u>\$ 4,986</u>		

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

CITY OF HORTON, KANSAS  
Horton Free Public Library  
Statement of Cash Receipts and Cash Disbursements - Actual  
For the Year Ended December 31, 2011

Cash Receipts	
State of Kansas	\$ 2,405
NEKL Association	13,400
City appropriation	46,800
Interest	528
Fines and fees	1,889
Donations	3,066
Miscellaneous	<u>1,191</u>
 Total Cash Receipts	 <u>69,279</u>
Expenditures	
Personal service	47,106
Contractual	7,875
Commodities	<u>7,976</u>
 Total Expenditures	 <u>62,957</u>
 Receipts Over [Under] Expenditures	 6,322
 Unencumbered Cash, Beginning	 <u>96,543</u>
 Unencumbered Cash, Ending	 <u>\$ 102,865</u>

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

STATEMENT 5

CITY OF HORTON, KANSAS  
 Statement of Cash, Cash Receipts and Cash Disbursements  
 Agency Funds  
 For the Year Ended December 31, 2011

<u>FUNDS</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Payroll Clearing	\$ [2,162]	\$ 2,424	\$ 2,680	\$ [2,418]
Unreimbursed Medical	<u>75</u>	<u>630</u>	<u>1,601</u>	<u>[896]</u>
Total Agency Funds	<u>\$ [2,087]</u>	<u>\$ 3,054</u>	<u>\$ 4,281</u>	<u>\$ [3,314]</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, 2011

<u>FUNDS</u>	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Schneider Poor	\$ 2,428	\$ -	\$ 34	\$ 34	\$ 2,428	\$ -	\$ 2,428
Heart of Horton	170	-	80	225	25	-	25
Restricted Donation (Cemetery Trees)	12,705	-	565	2,144	11,126	-	11,126
Cemetery Memorial	1,364	-	16	-	1,380	-	1,380
Total Private-Purpose Trust Fund	<u>\$ 16,667</u>	<u>\$ -</u>	<u>\$ 695</u>	<u>\$ 2,403</u>	<u>\$ 14,959</u>	<u>\$ -</u>	<u>\$ 14,959</u>

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

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 only the primary government of the City (the primary government) and the Horton Free Public Library component unit. They exclude the Horton Housing Authority component unit for which the City is considered financially accountable.

*Component Units that are 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.

*Component Units that are not Discretely Presented:*

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.

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.

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Governmental Fund Types

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

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

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

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

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

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

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 2011 budget was not amended.

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

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 K.S.A. 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county in which the City is located or in a county adjacent to the City and the banks provide an acceptable rate for active funds.

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

At December 31, 2011, the City has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool	\$ <u>50,716</u>	S&P AAAf/S1+

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 K.S.A. 9-1402.

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

NOTE 2 - Deposits (Continued)

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 up to 6% 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 KPERS employer rate was 7.74% from January 1 to December 31, 2011. The City employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$55,813, \$48,097, and \$42,385, 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, 2011, is \$26,680.

NOTE 5 - Related Party Transactions

The City paid \$28,421 to a company owned by a city commissioner for fuel and supplies. The city also paid \$1,278 to an automobile repair company owned by the spouse of a member of city management.

NOTE 6 – 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 7 - Long-Term Debt

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
Fire Truck	3/25/2010	3/25/2020	4.00%	\$ 151,400	\$ 138,800
Improvements	5/2/2005	12/1/2020	3.00 to 4.25%	300,000	200,000
Public Water Supply	6/28/2011	6/28/2051	3.25%	4,123,000	<u>4,123,000</u>
					<u>\$4,461,800</u>

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

NOTE 7 - Long-Term Debt (Continued)

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

<u>Year Ending December 31,</u>	
2012	\$ 212,568
2013	212,528
2014	212,585
2015	212,616
2016	312,533
2017-2021	1,107,212
2022-2026	928,250
2027-2031	928,251
2032-2036	928,251
2037-2041	928,251
2042-2046	928,252
2047-2051	<u>928,251</u>
Total Principal and Interest	7,839,546
Less: Interest	<u>3,377,746</u>
Total	<u>\$ 4,461,800</u>

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

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>
Electric fund refunding bonds	10/22/2009	10/1/2022	2.25 to 4.20%	\$ 1,620,000	\$ 1,405,000
					<u>\$ 1,405,000</u>

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

NOTE 7 - Long-Term Debt (Continued)

Revenue Bonds (Continued)

Revenue bond debt service requirements to maturity:

<u>Year Ending December 31,</u>	<u>Enterprise Funds</u>
2012	\$ 161,255
2013	163,230
2014	164,780
2015	161,180
2016	162,460
2017-2021	813,050
2022	<u>156,300</u>
Total Principal and Interest	1,782,255
Less: Interest	<u>377,255</u>
Total	<u>\$ 1,405,000</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, 2011, were as follows:

<u>Year Ending December 31,</u>	
2012	\$ 81,317
2013	50,809
2014	<u>47,046</u>
Total minimum lease payments	179,172
Less: amount representing interest	<u>12,875</u>
Present value of minimum lease payments	<u>\$ 166,297</u>

The City issued Series 2011-1 taxable general obligation temporary notes in the amount of \$1,045,000 on March 1, 2011 to refinance the Series 2010-1 Temporary Notes. The interest rate on the 2011-1 temporary note was 2.25% and had a final maturity on October 1, 2011. The City issued Series 2011-2 taxable general obligation temporary notes in the amount of \$2,000,000 on September 15, 2011 to provide initial financing for improvements to the City's sanitary sewer system. The interest rate on the 2011-2 temporary note is 1.50% and has a final maturity on October 1, 2012. The City issued \$4,123,000 in taxable general obligation bonds on June 28, 2011 to refinance temp note series 2010-2 and 2011-1. The bonds have an interest rate of 3.25% and a final maturity of June 28, 2051.

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

NOTE 7 - Long-Term Debt (Continued)

Following is a summary of changes in long-term debt for the year ended December 31, 2011:

<u>Type of Issue</u>	Beginning Principal <u>Outstanding</u>	<u>Restatement</u>	Restated Beginning Principal <u>Outstanding</u>	Additions to Principal	Reductions of Principal	Ending Principal <u>Outstanding</u>
Revenue Bonds	\$ 1,515,000	\$ -	\$ 1,515,000	\$ -	\$ 110,000	\$ 1,405,000
Temporary Notes	4,260,000	-	4,260,000	3,045,000	5,305,000	2,000,000
General Obligation Bonds	686,400	-	686,400	4,123,000	347,600	4,461,800
Capital Leases	<u>195,836</u>	<u>19,376</u>	<u>215,212</u>	<u>32,364</u>	<u>81,279</u>	<u>166,297</u>
Total	<u>\$ 6,657,236</u>	<u>\$ 19,376</u>	<u>\$ 6,676,612</u>	<u>\$ 7,200,364</u>	<u>\$ 5,843,879</u>	<u>\$ 8,033,097</u>

NOTE 8 - 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 four fiscal years.

NOTE 9 - Interfund Transfers

A reconciliation of operating transfers by fund type for 2011 follows:

<u>Fund</u>	<u>To</u>	<u>From</u>
General	\$ 297,000	\$ 2,800
Equipment Reserve	2,000	-
Public Building Reserve	800	-
Water	-	25,000
Sewer	-	25,000
Electric	-	235,000
Solid Waste	<u>-</u>	<u>12,000</u>
Total	<u>\$ 299,800</u>	<u>\$ 299,800</u>

CITY OF HORTON, KANSAS  
Notes to the Financial Statements  
For the Year Ended December 31, 2011

NOTE 10 - 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	\$	2,068
Reserved for depreciation and repair		<u>161,977</u>
Total reservations as required by bond covenants	\$	<u>164,045</u>

Rate coverage met bond covenant requirements.

The number of customers served by the electricity system at January 1, 2011 and December 31, 2011 were 990 and 973, respectively. 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: 4/1/11 to 4/1/12	Commercial Property	\$9,110,300 Aggregate Limit	\$ 33,814
EMC Insurance Company Term: 4/1/11 to 4/1/12	Inland Marine	\$594,588 Aggregate Limit	3,243
EMC Insurance Company Term: 4/1/11 to 4/1/12	Liability	\$1,000,000 Aggregate Limit \$500,000 Per Occurrence	2,828
EMC Insurance Company Term: 4/1/11 to 4/1/12	Automobile	\$500,000 Aggregate Limit	12,626
EMC Insurance Company Term: 4/1/11 to 4/1/12	Commercial Output	\$8,542,121 Aggregate Limit	49,609
EMC Insurance Company Term: 4/1/11 to 4/1/12	Linebacker	\$1,000,000 Aggregate Limit \$500,000 Per Occurrence	1,454

Similar coverage was in place prior to April 1, 2011.

CITY OF HORTON, KANSAS

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Homeland Security</u> Passed Through Kansas Department of Commerce Public Assistance Grant	97.036	\$ <u>195</u>
<u>U.S. Department of Agriculture</u> Water and Waste Disposal Systems for Rural Communities	10.760	<u>990,533</u>
<u>U.S. Department of Transportation</u> Passed Through Kansas Department of Transportation State and Community Highway Safety (STEP)	20.600	<u>857</u>
Total Expenditures of Federal Awards		<u>\$ 991,585</u>

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of the City. All expenditures of federal financial assistance received directly from federal agencies, if any, as well as federal financial assistance passed through other government agencies is included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the Kansas prescribed basis of accounting which includes accounts payable and encumbrances.

CITY OF HORTON, KANSAS

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Adverse (GAAP)  
Unqualified (Prescribed Basis)

Type of auditor's report issued:

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

Significant deficiency (ies) identified that are not considered to be material weaknesses?   X   Yes    \_\_\_\_\_ No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

Significant deficiency (ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major programs:   Unqualified  

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ Yes      X   No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.760

Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs:   \$300,000  

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes      X   No

CITY OF HORTON, KANSAS

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2011

Section II - Financial Statement Findings

Current Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>	<u>Questioned Costs</u>	<u>Recommendation</u>	<u>Management Response</u>
Not applicable	2011-1	The municipal court receipting function currently lacks a proper separation of duties. The court clerk is also the individual that prepares, reconciles and reviews the outstanding fines and fees list.	Recommend Practices	Not determined	Municipal Court cash receipt procedures should provide for separation between the cash and accounting functions. Specifically, the same person should not be receipting cash, depositing cash into the bank and recording the receipt into the accounting system. We also recommend that the City track all ticket numbers issued to the officers in sequential order. We also recommend that a reconciliation be performed between all tickets issued and the tickets receipted into the accounting system. We recommend that the chief review the status of the tickets issued and review and approve the reconciliation between the ticket log and the receipts recorded into the system.	Agrees

Prior Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>	<u>Questioned Costs</u>	<u>Recommendation</u>	<u>Management Response</u>	<u>Status</u>
Not applicable	2010-1	The municipal court receipting function currently lacks a proper separation of duties. The court clerk is also the individual that prepares, reconciles and reviews the outstanding fines and fees list.	Recommend Practices	Not determined	We recommend that the City track all ticket numbers issued to the officers in sequential order. We also recommend that a reconciliation be performed between all tickets issued and the tickets receipted into the accounting system. We recommend that the chief review the status of the tickets issued and review and approve the reconciliation between the ticket log and the receipts recorded into the system.	Agrees	Repeated at 2011-1

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None Noted

Prior Year Findings

None Noted



MIZE & HOUSER  
COMPANY P.A.

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 the financial statements of the City of Horton (City) as of and for the year ended December 31, 2011, and have issued our report thereon dated August 23, 2012 which is a special report on the financial statements prepared in accordance with a basis of accounting prescribed by the state of Kansas. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

*A deficiency in internal control* 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the schedule of findings and questioned costs, as Finding 2011-1, that we consider to be a significant deficiency in internal control over financial reporting. The City's response to this finding in that same section has not been audited by us and accordingly, we express no opinion on them. 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.

[www.mizehouser.com](http://www.mizehouser.com) ■ [mhco@mizehouser.com](mailto:mhco@mizehouser.com)

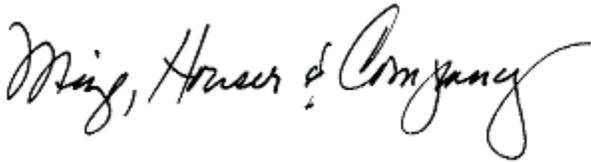
534 S Kansas Ave, Suite 700 ■ Topeka, KS 66603-3465 ■ 785.233.0536 p ■ 785.233.1078 f  
534 S Kansas Ave, Suite 400 ■ Topeka, KS 66603-3454 ■ 785.234.5573 p ■ 785.234.1037 f  
7101 College Blvd, Suite 900 ■ Overland Park, KS 66210-1984 ■ 913.451.1882 p ■ 913.451.2211 f  
120 E Ninth ■ Lawrence, KS 66044-2682 ■ 785.842.8844 p ■ 785.842.9049 f  
900 Massachusetts, Suite 301 ■ Lawrence, KS 66044-2868 ■ 785.749.5050 p ■ 785.749.5061 f

Compliance and Other Matters

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

However, we noted certain other matters that we have reported to management in a separate letter August 23, 2012.

This communication is intended solely for the information and use of the city administrator, city commission, other members of management, federal awarding agencies and pass through entities, is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Ming, Houser & Company". The signature is written in a cursive, flowing style.

August 23, 2012



MIZE HOUSER  
COMPANY P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mayor and City Commission  
City of Horton, Kansas

**Compliance**

We have audited the compliance of the City of Horton, Kansas (the City), with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 2011. Major federal financial programs are identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of law, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

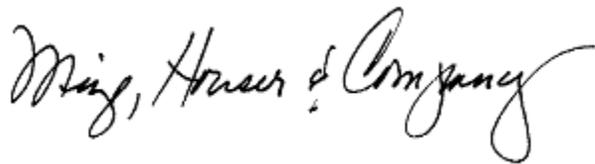
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A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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.

Our consideration of the internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of the city administrator, mayor, city commission, other members of management, federal awarding agencies and pass through entities, is not intended to be, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "King, Houser & Company". The signature is written in a cursive, flowing style.

August 23, 2012