

CITY OF HOWARD, KANSAS

Financial Statements
and
Supplemental Information

with Independent Auditor's Report

For the Year Ended December 31, 2010

City of Howard, Kansas
Special Financial Statements
For the Year Ended December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Howard, Kansas

We have audited the accompanying statutory basis financial statements of City of Howard, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of City of Howard, Kansas, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City of Howard, 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. The effect on the financial statements of the differences between this regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

The financial statements referred to above include only the primary government of the City, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include the financial data of any legally separate component units which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding two paragraphs, 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 City of Howard, Kansas as of December 31, 2010, or changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of City of Howard, Kansas, as of December 31, 2010, and the revenues it received and expenditures it paid for the year then ended, on the basis of accounting described in Note 1.

Respectfully Submitted,

Schlotterbeck and Burns, LLC

June 23, 2011

City of Howard, Kansas
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash
 For the Year Ended December 31, 2010

Statement 1

	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:						
General	\$ 368,887	329,444	349,879	348,452	2,437	350,889
Special Revenue:						
Emergency Equipment	47,634	9,251		56,885		56,885
Employee Benefits	9,456	24,519	24,683	9,292	161	9,453
Library Board	2,662	10,490	9,648	3,504	52	3,556
Library Board Capital Improvement	7,924			7,924		7,924
Special Highway	97,906	20,180	3,879	114,207		114,207
Special Liability	19,627	546	1,950	18,223		18,223
Enterprise:						
Construction/Demolition Landfill	19,886	4,271	8,533	15,624		15,624
Gas Utility	196,702	318,726	372,359	143,069	350	143,419
Howard Twilight Manor Nursing Home	162,710	1,917,970	1,835,714	244,966	77,081	322,047
Sewer Utility	152,422	124,436	111,367	165,491	503	165,994
Water Utility	111,507	174,418	184,641	101,284	364	101,648
Expendable Trusts:						
Elliott Trust	54,500			54,500		54,500
Griffin Trust	198,041	9,775	873	206,943		206,943
Boat Dock Donations	50			50		50
Dump Cleanup Grant		625		625		625
Fire Insurance Lien		8,025	8,025			
Pool Donations	3,047			3,047		3,047
Clinic Donations	1,154		573	581		581
Total Primary Government (1)	<u>1,454,115</u>	<u>2,952,676</u>	<u>2,912,124</u>	<u>1,494,667</u>	<u>80,948</u>	<u>1,575,615</u>

Composition of Cash:

Certificates of Deposit	625,500
Demand Deposits	957,189
Petty Cash Advance	600
Less: Agency Funds per Statement 4	(7,674)
Total Primary Government (1)	<u>1,575,615</u>

(1) Excluding Agency Funds

See accompanying notes to financial statements

City of Howard, Kansas
 Summary of Expenditures - Actual and Budget
 (Budgeted Funds Only)
 For the Year Ended December 31, 2010

Statement 2

	<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Type Funds:			
General	\$ 649,979	349,879	300,100
Special Revenue:			
Emergency Equipment	56,500		56,500
Employee Benefits	27,250	24,683	2,567
Library Board	12,000	9,648	2,352
Special Highway	111,757	3,879	107,878
Special Liability	20,000	1,950	18,050
Enterprise:			
Construction/Demolition Landfill	14,659	8,533	6,126
Gas Utility	891,175	372,359	518,816
Howard Twilight Manor Nursing Home	2,550,000	1,835,714	714,286
Sewer Utility	235,759	111,367	124,392
Water Utility	266,075	184,641	81,434
Totals	<u>4,835,154</u>	<u>2,902,653</u>	<u>1,932,501</u>

See accompanying notes to financial statements

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Favorable (Unfavor)
		Current Year Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 76,337	82,282	81,516	766
Motor Vehicle Tax	19,596	18,299	22,422	(4,123)
Recreational Vehicle Tax	382	388	435	(47)
Delinquent Tax	2,920	2,168	1,533	635
16/20 M Truck Tax	226	218	236	(18)
In Lieu of Tax	1,234	1,211		1,211
Total Taxes	<u>100,695</u>	<u>104,566</u>	<u>106,142</u>	<u>(1,576)</u>
Intergovernmental				
Local Retailers Sales Tax	30,167	29,893	37,000	(7,107)
Licenses, Fees, and Permits				
Franchise Fee	13,983	18,983	12,500	6,483
Dog Licenses	191	1,135		1,135
Licenses and Permits	230	450	650	(200)
Total Licenses, Fees, and Permits	<u>14,404</u>	<u>20,568</u>	<u>13,150</u>	<u>7,418</u>
Use of Money and Property				
Interest on Investments	8,479	4,257	10,000	(5,743)
Rent	9,138	11,315	12,000	(685)
Total Use of Money and Property	<u>17,617</u>	<u>15,572</u>	<u>22,000</u>	<u>(6,428)</u>
Charges for Services				
Pool Admissions	6,503	6,060	5,000	1,060
Pool Concessions	2,456	1,781	2,500	(719)
Total Charges for Services	<u>8,959</u>	<u>7,841</u>	<u>7,500</u>	<u>341</u>
Fines, Forfeitures and Penalties				
Fines	992	2,054	1,750	304
Transfers				
Operating Transfers In	140,000	140,000	140,000	
Miscellaneous				
Donations	3,995	4,170		4,170
Other	16,188	4,780		4,780
Total Miscellaneous	<u>20,183</u>	<u>8,950</u>		<u>8,950</u>
Total Cash Receipts	<u>333,017</u>	<u>329,444</u>	<u>327,542</u>	<u>1,902</u>
Expenditures and Transfers				
General Government				
General Government				
Personal Services	92,507	90,873	94,525	3,652
Contractual Services	17,670	29,419	21,000	(8,419)
Commodities	11,359	14,456	15,500	1,044
Capital Outlay	1,117	1,837	10,000	8,163
Total General Government	<u>122,653</u>	<u>136,585</u>	<u>141,025</u>	<u>4,440</u>
Public Works				
Street Department				
Personal Services	22,094	24,176	31,290	7,114
Contractual Services	9,662	10,134	10,000	(134)
Commodities	13,125	22,258	20,000	(2,258)
Capital Outlay	853	550	59,250	58,700
Total Street Department	<u>45,734</u>	<u>57,118</u>	<u>120,540</u>	<u>63,422</u>
Street Lighting				
Contractual Services	11,764	13,665	14,000	335
Total Public Works	<u>57,498</u>	<u>70,783</u>	<u>134,540</u>	<u>63,757</u>

See accompanying notes to financial statements

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Favorable (Unfavor)
		Current Year Actual	Budget	
Public Safety				
Fire Department				
Personal Services	\$ 5,204	5,534	6,675	1,141
Contractual Services	2,197	1,669	3,800	2,131
Commodities	2,524	2,368	7,000	4,632
Capital Outlay			6,000	6,000
Total Fire Department	<u>9,925</u>	<u>9,571</u>	<u>23,475</u>	<u>13,904</u>
Police Department				
Personal Services	44,880	52,395	46,305	(6,090)
Contractual Services	5,431	4,420	6,500	2,080
Commodities	5,319	3,188	6,000	2,812
Capital Outlay	10,000		10,000	10,000
Total Police Department	<u>65,630</u>	<u>60,003</u>	<u>68,805</u>	<u>8,802</u>
Total Public Safety	<u>75,555</u>	<u>69,574</u>	<u>92,280</u>	<u>22,706</u>
Culture and Recreation				
Park Department				
Personal Services	10,448	7,074	12,390	5,316
Contractual Services	989	1,189	920	(269)
Commodities	4,055	1,377	3,000	1,623
Capital Outlay	13,350	9,372	15,000	5,628
Total Park Department	<u>28,842</u>	<u>19,012</u>	<u>31,310</u>	<u>12,298</u>
Swimming Pool				
Personal Services	18,558	18,687	21,765	3,078
Contractual Services	5,709	5,943	6,000	57
Commodities	13,549	10,026	8,000	(2,026)
Capital Outlay	2,292	1,060	10,000	8,940
Total Swimming Pool	<u>40,108</u>	<u>35,716</u>	<u>45,765</u>	<u>10,049</u>
Building Maintenance				
Personal Services	2,294	1,688	5,125	3,437
Contractual Services	1,036	140		(140)
Commodities	886	59	1,000	941
Total Building Maintenance	<u>4,216</u>	<u>1,887</u>	<u>6,125</u>	<u>4,238</u>
Cox Building				
Contractual Services	7,542	7,809	10,000	2,191
Commodities	1,213	3,434	4,000	566
Capital Outlay	1,443	4,453	4,000	(453)
Reimbursed Expense		(700)		700
Total Cox Building	<u>10,198</u>	<u>14,996</u>	<u>18,000</u>	<u>3,004</u>
Total Culture and Recreation	<u>83,364</u>	<u>71,611</u>	<u>101,200</u>	<u>29,589</u>
Social Services for Aged and Poor				
Contractual Services	934	934	934	
Capital Expenditures				
Reconstruction and Remodeling				
Demolition of Unsafe Structures			100,000	100,000
Equipment				
Capital Outlay	21,936	392	80,000	79,608
Total Capital Expenditures	<u>21,936</u>	<u>392</u>	<u>180,000</u>	<u>179,608</u>
Total Expenditures and Transfers	<u>361,940</u>	<u>349,879</u>	<u>649,979</u>	<u>300,100</u>
Receipts Over (Under)				
Expenditures and Transfers	(28,923)	(20,435)		
Unencumbered Cash, Beginning	397,810	368,887		
Unencumbered Cash, Ending	<u>368,887</u>	<u>348,452</u>		

City of Howard, Kansas
Emergency Equipment Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Favorable (Unfavor)
		Current Year Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 7,197	7,141	7,074	67
Motor Vehicle Tax	1,936	1,742	2,115	(373)
Recreational Vehicle Tax	38	37	41	(4)
Delinquent Tax	246	205	145	60
16/20 M Truck Tax	23	21	22	(1)
In Lieu of Tax	117	105		105
Total Taxes	<u>9,557</u>	<u>9,251</u>	<u>9,397</u>	<u>(146)</u>
Intergovernmental				
Machinery and Equipment State Aid	341			
Total Cash Receipts	<u>9,898</u>	<u>9,251</u>	<u>9,397</u>	<u>(146)</u>
Expenditures and Transfers				
Public Safety				
Fire Department				
Capital Outlay			56,500	56,500
Total Expenditures and Transfers			<u>56,500</u>	<u>56,500</u>
Receipts Over (Under)				
Expenditures and Transfers	9,898	9,251		
Unencumbered Cash, Beginning	<u>37,736</u>	<u>47,634</u>		
Unencumbered Cash, Ending	<u>47,634</u>	<u>56,885</u>		

See accompanying notes to financial statements

City of Howard, Kansas
Employee Benefits Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Favorable (Unfavor)
		Current Year Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 17,037	19,498	19,316	182
Motor Vehicle Tax	4,625	4,114	5,007	(893)
Recreational Vehicle Tax	91	87	97	(10)
Delinquent Tax	568	483	342	141
16/20 M Truck Tax	59	50	53	(3)
In Lieu of Tax	276	287		287
Total Taxes	<u>22,656</u>	<u>24,519</u>	<u>24,815</u>	<u>(296)</u>
Intergovernmental				
Machinery and Equipment State Aid	307			
Total Cash Receipts	<u>22,963</u>	<u>24,519</u>	<u>24,815</u>	<u>(296)</u>
Expenditures and Transfers				
General Government				
Personal Services	20,069	24,683	27,250	2,567
Total Expenditures and Transfers	<u>20,069</u>	<u>24,683</u>	<u>27,250</u>	<u>2,567</u>
Receipts Over (Under)				
Expenditures and Transfers	2,894	(164)		
Unencumbered Cash, Beginning	6,562	9,456		
Unencumbered Cash, Ending	<u>9,456</u>	<u>9,292</u>		

See accompanying notes to financial statements

City of Howard, Kansas
Library Board Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Favorable (Unfavor)
		Current Year Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 7,888	8,238	8,162	76
Motor Vehicle Tax	1,828	1,849	2,319	(470)
Recreational Vehicle Tax	36	40	45	(5)
Delinquent Tax	241	222	24	198
16/20 M Truck Tax	21	20	159	(139)
In Lieu of Tax	128	121		121
Total Taxes	<u>10,142</u>	<u>10,490</u>	<u>10,709</u>	<u>(219)</u>
Intergovernmental				
Machinery and Equipment State Aid	218			
Total Cash Receipts	<u>10,360</u>	<u>10,490</u>	<u>10,709</u>	<u>(219)</u>
Expenditures and Transfers				
Culture and Recreation				
Personal Services	769			
Contractual Services	8,214	9,648	12,000	2,352
Total Expenditures and Transfers	<u>8,983</u>	<u>9,648</u>	<u>12,000</u>	<u>2,352</u>
Receipts Over (Under)				
Expenditures and Transfers	1,377	842		
Unencumbered Cash, Beginning	<u>1,285</u>	<u>2,662</u>		
Unencumbered Cash, Ending	<u>2,662</u>	<u>3,504</u>		

See accompanying notes to financial statements

City of Howard, Kansas
Library Board Capital Improvement Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
None	\$	
Expenditures and Transfers		
None		
Receipts Over (Under)		
Expenditures and Transfers		
Unencumbered Cash, Beginning	7,924	7,924
Unencumbered Cash, Ending	7,924	7,924

See accompanying notes to financial statements

City of Howard, Kansas
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Favorable (Unfavor)
		Current Year Actual	Budget	
Cash Receipts				
Intergovernmental				
Special City & County Highway	\$ 19,070	20,180	21,890	(1,710)
Total Cash Receipts	<u>19,070</u>	<u>20,180</u>	<u>21,890</u>	<u>(1,710)</u>
Expenditures and Transfers				
Public Works				
Contractual Services		378		(378)
Commodities	6,451	3,501	111,757	108,256
Total Expenditures and Transfers	<u>6,451</u>	<u>3,879</u>	<u>111,757</u>	<u>107,878</u>
Receipts Over (Under)				
Expenditures and Transfers	12,619	16,301		
Unencumbered Cash, Beginning	<u>85,287</u>	<u>97,906</u>		
Unencumbered Cash, Ending	<u>97,906</u>	<u>114,207</u>		

See accompanying notes to financial statements

City of Howard, Kansas
Special Liability Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Favorable (Unfavor)
		Current Year Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 1,985			
Motor Vehicle Tax	707	474	584	(110)
Recreational Vehicle Tax	15	10	11	(1)
Delinquent Tax	89	56	40	16
16/20 M Truck Tax	18	6	6	
In Lieu of Tax	32			
Total Cash Receipts	<u>2,846</u>	<u>546</u>	<u>641</u>	<u>(95)</u>
Expenditures and Transfers				
General Government				
Contractual Services	1,740	1,950	20,000	18,050
Total Expenditures and Transfers	<u>1,740</u>	<u>1,950</u>	<u>20,000</u>	<u>18,050</u>
Receipts Over (Under)				
Expenditures and Transfers	1,106	(1,404)		
Unencumbered Cash, Beginning	<u>18,521</u>	<u>19,627</u>		
Unencumbered Cash, Ending	<u>19,627</u>	<u>18,223</u>		

See accompanying notes to financial statements

City of Howard, Kansas
Construction/Demolition Landfill Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

			Current Year		
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavor)	
Cash Receipts					
Charges for Services					
Customer Charges	\$ 5,360	4,271	5,500	(1,229)	
Total Cash Receipts	<u>5,360</u>	<u>4,271</u>	<u>5,500</u>	<u>(1,229)</u>	
Expenditures and Transfers					
Landfill					
Personal Services			7,000	7,000	
Contractual Services	1,171	8,295	3,594	(4,701)	
Commodities	56	238	4,065	3,827	
Total Expenditures and Transfers	<u>1,227</u>	<u>8,533</u>	<u>14,659</u>	<u>6,126</u>	
Receipts Over (Under)					
Expenditures and Transfers	4,133	(4,262)			
Unencumbered Cash, Beginning	<u>15,753</u>	<u>19,886</u>			
Unencumbered Cash, Ending	<u>19,886</u>	<u>15,624</u>			

See accompanying notes to financial statements

City of Howard, Kansas
Gas Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Favorable (Unfavor)
		Current Year Actual	Budget	
Cash Receipts				
Use of Money and Property				
Interest on Investments	\$ 7,003	3,835	7,500	(3,665)
Charges for Services				
Customer Charges	368,277	307,737	560,000	(252,263)
Penalties	4,715	4,649	5,000	(351)
Total Charges for Services	<u>372,992</u>	<u>312,386</u>	<u>565,000</u>	<u>(252,614)</u>
Miscellaneous				
Other	1,249	2,505	1,000	1,505
Total Cash Receipts	<u>381,244</u>	<u>318,726</u>	<u>573,500</u>	<u>(254,774)</u>
Expenditures and Transfers				
Public Utilities				
Production				
Gas Purchases	144,240	193,851	500,000	306,149
Transmission and Distribution				
Personal Services	38,889	38,237	57,330	19,093
Contractual Services	10,647	11,333	19,000	7,667
Commodities	8,487	14,327	25,000	10,673
Capital Outlay	11,594		169,345	169,345
Total Transmission and Distribution	<u>69,617</u>	<u>63,897</u>	<u>270,675</u>	<u>206,778</u>
Commercial and General				
Personal Services	33	151	10,500	10,349
Contractual Services	4,334	4,460		(4,460)
Operating Transfers Out	110,000	110,000	110,000	
Total Commercial and General	<u>114,367</u>	<u>114,611</u>	<u>120,500</u>	<u>5,889</u>
Total Expenditures and Transfers	<u>328,224</u>	<u>372,359</u>	<u>891,175</u>	<u>518,816</u>
Receipts Over (Under)				
Expenditures and Transfers	53,020	(53,633)		
Unencumbered Cash, Beginning	143,682	196,702		
Unencumbered Cash, Ending	<u>196,702</u>	<u>143,069</u>		

See accompanying notes to financial statements

City of Howard, Kansas
Howard Twilight Manor Nursing Home Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Favorable (Unfavor)
		Current Year Actual	Budget	
Cash Receipts				
Use of Money and Property				
Interest on Investments	\$ 1,665	621	2,000	(1,379)
Charges for Services				
Resident Charges	2,134,592	1,917,349	2,500,000	(582,651)
Total Cash Receipts	<u>2,136,257</u>	<u>1,917,970</u>	<u>2,502,000</u>	<u>(584,030)</u>
Expenditures and Transfers				
Social Services for Aged and Poor				
Nursing Home				
Personal Services	1,376,996	1,232,351	1,625,000	392,649
Contractual Services	419,549	329,576	450,000	120,424
Commodities	320,642	279,881	375,000	95,119
Capital Outlay	2,465		100,000	100,000
Reimbursed Expense	(8,617)	(6,094)		6,094
Total Expenditures and Transfers	<u>2,111,035</u>	<u>1,835,714</u>	<u>2,550,000</u>	<u>714,286</u>
Receipts Over (Under)				
Expenditures and Transfers	25,222	82,256		
Unencumbered Cash, Beginning	137,488	162,710		
Unencumbered Cash, Ending	<u>162,710</u>	<u>244,966</u>		

See accompanying notes to financial statements

City of Howard, Kansas
Sewer Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Favorable (Unfavor)
		Current Year Actual	Budget	
Cash Receipts				
Use of Money and Property				
Interest on Investments	\$ 3,390	2,169	3,500	(1,331)
Charges for Services				
Customer Charges	121,012	120,411	140,000	(19,589)
Miscellaneous				
Other	4,360	1,855	2,500	(645)
Total Cash Receipts	<u>128,762</u>	<u>124,435</u>	<u>146,000</u>	<u>(21,565)</u>
Expenditures and Transfers				
Public Utilities				
Production				
Personal Services	11,359	11,988	40,795	28,807
Contractual Services	9,878	10,111	30,000	19,889
Commodities	7,837	9,361	10,000	639
Capital Outlay	1,049	3,093	78,150	75,057
Operating Transfers Out	20,000	20,000	20,000	
Total Production	<u>50,123</u>	<u>54,553</u>	<u>178,945</u>	<u>124,392</u>
KWPCRF Loan				
Principal	34,267	35,504	35,505	1
Interest	22,547	21,309	21,309	
Total KWPCRF Loan	<u>56,814</u>	<u>56,813</u>	<u>56,814</u>	<u>1</u>
Total Expenditures and Transfers	<u>106,937</u>	<u>111,366</u>	<u>235,759</u>	<u>124,393</u>
Receipts Over (Under)				
Expenditures and Transfers	21,825	13,069		
Unencumbered Cash, Beginning	<u>130,597</u>	<u>152,422</u>		
Unencumbered Cash, Ending	<u><u>152,422</u></u>	<u><u>165,491</u></u>		

See accompanying notes to financial statements

City of Howard, Kansas
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Favorable (Unfavor)
		Current Year Actual	Budget	
Cash Receipts				
Use of Money and Property				
Interest on Investments	\$ 3,794	1,478	4,141	(2,663)
Charges for Services				
Customer Charges	147,782	163,538	200,000	(36,462)
Bulk Water Sales	2,119	2,643	4,000	(1,357)
Total Charges for Services	<u>149,901</u>	<u>166,181</u>	<u>204,000</u>	<u>(37,819)</u>
Miscellaneous				
Other	2,673	6,759	5,000	1,759
Total Cash Receipts	<u>156,368</u>	<u>174,418</u>	<u>213,141</u>	<u>(38,723)</u>
Expenditures and Transfers				
Public Utilities				
Production				
Personal Services	42,375	45,383	56,075	10,692
Contractual Services	45,289	36,425	45,000	8,575
Commodities	69,709	67,840	50,000	(17,840)
Capital Outlay	33,326	23,746	85,000	61,254
Total Production	<u>190,699</u>	<u>173,394</u>	<u>236,075</u>	<u>62,681</u>
Commercial and General				
Personal Services	86	156	20,000	19,844
Contractual Services	705	1,091		(1,091)
Operating Transfers Out	10,000	10,000	10,000	
Total Commercial and General	<u>10,791</u>	<u>11,247</u>	<u>30,000</u>	<u>18,753</u>
Total Expenditures and Transfers	<u>201,490</u>	<u>184,641</u>	<u>266,075</u>	<u>81,434</u>
Receipts Over (Under)				
Expenditures and Transfers	(45,122)	(10,223)		
Unencumbered Cash, Beginning	<u>156,629</u>	<u>111,507</u>		
Unencumbered Cash, Ending	<u>111,507</u>	<u>101,284</u>		

See accompanying notes to financial statements

City of Howard, Kansas
Elliott Trust Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
None	\$	
Expenditures and Transfers		
None		
Receipts Over (Under)		
Expenditures and Transfers		
Unencumbered Cash, Beginning	54,500	54,500
Unencumbered Cash, Ending	54,500	54,500

See accompanying notes to financial statements

City of Howard, Kansas
Griffin Trust Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Use of Money and Property		
Interest on Investments	\$ 4,388	2,717
Oil and Gas Royalties	<u>8,776</u>	<u>7,058</u>
Total Cash Receipts	<u>13,164</u>	<u>9,775</u>
 Expenditures and Transfers		
General Government		
Contractual Services	<u>1,036</u>	<u>873</u>
Total Expenditures and Transfers	<u>1,036</u>	<u>873</u>
 Receipts Over (Under)		
Expenditures and Transfers	12,128	8,902
 Unencumbered Cash, Beginning	<u>185,913</u>	<u>198,041</u>
Unencumbered Cash, Ending	<u><u>198,041</u></u>	<u><u>206,943</u></u>

See accompanying notes to financial statements

City of Howard, Kansas
Boat Dock Donations Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
None	\$	
Expenditures and Transfers		
None		
Receipts Over (Under)		
Expenditures and Transfers		
Unencumbered Cash, Beginning	50	50
Unencumbered Cash, Ending	50	50

See accompanying notes to financial statements

City of Howard, Kansas
Dump Cleanup Grant Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental		
State Grant	\$	625
Total Cash Receipts		625
Expenditures and Transfers		
None		
Receipts Over (Under)		
Expenditures and Transfers		625
Unencumbered Cash, Beginning		
Unencumbered Cash, Ending		625

See accompanying notes to financial statements

City of Howard, Kansas
Fire Insurance Lien Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Miscellaneous		
Insurance Proceeds	\$	8,025
Total Cash Receipts		8,025
Expenditures and Transfers		
General Government		
Contractual Services		8,025
Total Expenditures and Transfers		8,025
Receipts Over (Under) Expenditures and Transfers		
Unencumbered Cash, Beginning		
Unencumbered Cash, Ending		

See accompanying notes to financial statements

City of Howard, Kansas
Pool Donations Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Miscellaneous		
Donations	\$ 755	
Total Cash Receipts	755	
Expenditures and Transfers		
Culture and Recreation		
Swimming Pool		
Commodities	1,267	
Capital Outlay	90	
Total Expenditures and Transfers	1,357	
Receipts Over (Under)		
Expenditures and Transfers	(602)	
Unencumbered Cash, Beginning	3,649	3,047
Unencumbered Cash, Ending	3,047	3,047

See accompanying notes to financial statements

City of Howard, Kansas
Clinic Donations Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
None	\$	
Expenditures and Transfers		
Economic Development		
Contractual Services	220	145
Commodities	417	428
Total Expenditures and Transfers	637	573
Receipts Over (Under)		
Expenditures and Transfers	(637)	(573)
Unencumbered Cash, Beginning	1,791	1,154
Unencumbered Cash, Ending	1,154	581

See accompanying notes to financial statements

City of Howard, Kansas
 Agency Funds
 Statement of Cash Receipts and Disbursements
For the Year Ended December 31, 2010

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Utility Overpayment Holding	\$ 747	22,280	22,934	93
Sales Tax	298	377	318	357
Trash Collections	4,735	57,896	57,847	4,784
Gas Meter Deposits	1,440	1,600	1,200	1,840
Water Meter Deposits	500	460	360	600
Payroll Clearing	-	307,778	307,778	-
	<u>7,720</u>	<u>390,391</u>	<u>390,437</u>	<u>7,674</u>

See accompanying notes to financial statements.

City of Howard, Kansas
Statement of Changes in Long Term Debt
For the Year Ended December 31, 2010

<u>Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Other Changes</u>	<u>Balance end of Year</u>	<u>Interest Paid</u>
<u>Outstanding Obligations:</u>										
<u>General Obligation Bonds</u>										
KWPCRF Loan (Sewer Project)	3.580%	10/11/2002	\$ 819,760	3/1/2023	604,021		35,504		568,517	21,309
<u>Potential Obligations:</u>										
<u>Compensated Absences:</u>										
Sick Leave Maximum Potential Liability					25,431	-	-	11,378	36,809	-
Total Long-Term Debt					<u>629,452</u>	<u>-</u>	<u>35,504</u>	<u>11,378</u>	<u>605,326</u>	<u>21,309</u>
<u>Schedule of Maturity of Long-Term Debt:</u>										
			<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2023</u>	<u>Total</u>
<u>Principal</u>										
KWPCRF Loan (Sewer Project)			\$ 36,787	38,116	39,492	40,919	42,397	236,092	134,714	568,517
<u>Interest</u>										
KWPCRF Loan (Sewer Project)			<u>20,027</u>	<u>18,698</u>	<u>17,321</u>	<u>15,895</u>	<u>14,416</u>	<u>47,975</u>	<u>7,320</u>	<u>141,652</u>
Total			<u>56,814</u>	<u>56,814</u>	<u>56,813</u>	<u>56,814</u>	<u>56,813</u>	<u>284,067</u>	<u>142,034</u>	<u>710,169</u>

See accompanying notes to financial statements

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City of Howard, Kansas
Notes to Financial Statements
December 31, 2010

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

Principles Used in Determining Scope of Entity

The basic criterion used for including other governmental organizations in the financial reports is the exercise of oversight responsibility over such organizations. Oversight responsibility is derived from the City's powers and includes, but is not limited to, financial accountability, appointment of a voting majority of the governing body, imposition of will, financial benefit/burden on primary government and fiscal dependency. The City has waived the application of generally accepted accounting principles and as such, have not included any component units in these financial statements.

B. Basis of Presentation

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or 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.

The following types of funds comprise the financial activities of the City for the year of 2010:

Governmental Funds:

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Proprietary Funds:

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises--where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds:

Trust and Agency Funds--to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include (a) Expendable Trust Funds, (b) Nonexpendable Trust Funds, (c) Pension Trust Funds and (d) Agency Funds.

C. Basis of Accounting

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of the State 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.

City of Howard, Kansas
Notes to Financial Statements
December 31, 2010

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.

The City has adopted an ordinance waiving generally accepted accounting principles. This practice is allowed by K.S.A. 75-1120(a), which then requires this type of special reporting.

Departure from Generally Accepted Accounting Principles

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 non-cash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, 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 generally accepted accounting principles. In addition, General Fixed Assets that account for the land, buildings and equipment owned by the City are not recorded.

D. Budgets

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 governing body 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. During 2010, the City had no such amendments.

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.

City of Howard, Kansas
Notes to Financial Statements
December 31, 2010

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality 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, trust funds, and the following special revenue funds:

Library Board Capital Improvement Fund

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

E. Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

For the purpose of financial reporting, "Cash and Cash Equivalents" includes cash on hand, demand and savings deposits and certificates of deposit. To facilitate better management of the County's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are credited to the general fund or utility funds, as provided by Kansas Statutes.

Property Taxes and Other Receivables

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and therefore, are not susceptible to accrual.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Deposits and Investments

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 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.

K.S.A. 12-1675 allows the City to deposit idle funds in time deposits-open accounts, and certificates of deposit with allowable financial institutions, and to invest funds in U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool.

City of Howard, Kansas
Notes to Financial Statements
December 31, 2010

The City held no investments at December 31, 2010 and held no investments throughout the year.

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 risk 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's 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 not designated any peak periods.

Custodial credit risk - investments. For an investment, this is the risk that, in the 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 investments to be adequately secured.

At December 31, 2010, the carrying amount of the City's deposits was \$1,582,689 and the bank balance was \$1,627,295. Of the bank balance, \$1,477,295 was secured by federal depository insurance and the remaining \$150,000 was collateralized with securities held by the pledging financial institution's agents in the City's name.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by state statutes. No physical inventories were taken at year end and no accounting controls exist for control of materials inventory.

Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

F. Revenues and Expenditures

Property Tax Revenue Recognition

Property taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20th and May 10th. Delinquent taxes are assessed interest at rates established by Kansas Statute. This interest is retained by the County Treasurer.

Taxes levied to finance the budget are made available to the City after January 1st and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January.

City of Howard, Kansas
Notes to Financial Statements
December 31, 2010

Vacation and Sick Pay

The City's sick leave policy allows crediting each employee with ten days sick leave per year to a maximum of 30 days. Employees hired after September 1, 1993 at the Nursing Home are only allowed to accumulate 10 days. Days over this amount for Nursing Home employees are paid to the employee at the end of the year.

The City's vacation policy allows crediting each employee with ten days vacation beginning with the 2nd year of employment to a maximum of 20 days. After ten years service, the employees earn 15 days per year. Nursing home employees hired after September 1, 1993 earn between 5 and 12 days per year based on length of service. Unused days are not carried over for these employees, but are paid to the employee at the end of the year.

Interfund Transactions

Quasi-external transactions are accounted for as revenue, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Note 2 Stewardship, Compliance, and Accountability

Compliance with Kansas Cash Basis Law

No violations.

Compliance with Kansas Budget Law

No violations.

Compliance with Kansas Depository Security Law

No violations.

Note 3 Detail Notes on All Funds and Account Groups

A. Assets:

General Fixed Assets

The City has not maintained a record of fixed assets used in performance of general governmental operations as required by generally accepted accounting principles.

The City has adopted an ordinance waiving generally accepted accounting principles under the authority of K.S.A. 75-1120(a).

City of Howard, Kansas
Notes to Financial Statements
December 31, 2010

B. Liabilities:

Defined Benefit Pension Plan

Plan Description. The City contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 75-4901, *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. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar January 1, 2010 through December 31, 2010 was 7.14% (6.14% for the period April-June). The City employer contributions for the years ending December 31, 2010, 2009, and 2008 were \$78,630, \$62,349, and \$55,593, respectively, equal to the statutorily required contributions for each year.

General Long-Term Debt

Kansas cities are limited to aggregate general obligation debt not to exceed 30% of assessed valuation of tangible taxable property within the city. The City's assessed valuation as of November 1, 2010 was \$1,950,617. The City has no outstanding bonded debt as of December 31, 2010. The resulting legal debt margin for the City is \$585,185.

The outstanding debt of the City as of December 31, 2010 consists of a State of Kansas KWPCRF loan with an outstanding principal amount of \$568,517. The proceeds of this loan were used in a Sewer Construction Project and the loan is being retired from the revenues of the Sewer Utility Fund through the year 2023.

A schedule of changes in the City's long term debt, along with payments due subsequent to December 31, 2010, is presented in Statement 5.

C. Operating Transfers:

<u>From</u>	<u>To</u>	<u>Amount</u>
Gas Utility Fund	General Fund	\$ 110,000
Sewer Utility Fund	General Fund	20,000
Water Utility Fund	General Fund	10,000

City of Howard, Kansas
Notes to Financial Statements
December 31, 2010

Note 4 Summary, Disclosure of Significant Contingencies

Federally Assisted Programs - Compliance Audits

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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 to cover its risk of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.