

CITY OF HUGOTON, KANSAS
Hugoton, Kansas

FINANCIAL STATEMENTS
For the year ended December 31, 2010

CITY OF HUGOTON, KANSAS

FINANCIAL STATEMENTS

For the year ended December 31, 2010

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CITY OF HUGOTON, KANSAS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The City Council
City of Hugoton, Kansas

We have audited the accompanying financial statements of the City of Hugoton, 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 the City of Hugoton, 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; the Kansas Municipal Audit Guide; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and guidance 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 Hugoton, Kansas prepares its financial statements using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter 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 City of Hugoton, Kansas, as of December 31, 2010, the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, the City of Hugoton, Kansas has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The City Council
City of Hugoton, Kansas

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In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Hugoton, Kansas, as of December 31, 2010, and its cash receipts and expenditures, budgetary comparisons, and changes in long-term debt and long-term debt maturities for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated May 31, 2011 on our consideration of the City of Hugoton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the City of Hugoton, Kansas taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes 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 relates directly to the underlying accounts and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole, on the basis of accounting described in Note 1.

Hay•Rice & Associates, Chartered

May 31, 2011

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The City Council
City of Hugoton, Kansas

We have audited the financial statements of the City of Hugoton, Kansas as of and for the year ended December 31, 2010, and have issued our report thereon dated May 31, 2011, which was qualified because the City of Hugoton, 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. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the Kansas Municipal Audit Guide; 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 of Hugoton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hugoton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hugoton'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.

Internal Control Over Financial Reporting (Continued)

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 certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: 2010-1. 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 charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hugoton'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 that are required to be reported under Government Auditing Standards.

The City of Hugoton's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Hugoton's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Hay•Rice & Associates, Chartered

May 31, 2011

CITY OF HUGOTON, KANSAS

Statement 1

STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH

For the year ended December 31, 2010

Funds	Beginning	Cash	Expenditures	Ending	Add	Ending
	Unencumbered			Unencumbered	Outstanding	
	Cash	Cash		Cash	& Accounts	Cash
	Balance	Receipts		Balance	Payable	Balance
Governmental Type Funds:						
General Fund	\$ 438,121	\$ 1,724,660	\$1,796,182	\$ 366,599	\$ 55,901	\$ 422,500
Special Revenue Funds:						
Special City Streets and Highways Fund	45,936	92,343	114,136	24,143	-	24,143
Special Parks and Recreation Fund	4,428	8,154	3,867	8,715	-	8,715
Gas Royalty Fund	249,107	12,367	730	260,744	-	260,744
Convention and Tourism Promotion Fund	22,273	8,923	11,108	20,088	315	20,403
Park Bequest Fund	2,910	6	-	2,916	-	2,916
Animal Care Benevolence Fund	4,741	763	170	5,334	60	5,394
Golf Course Expansion Fund	245,388	620	-	246,008	-	246,008
City Hall Remodeling Fund	8,436	21	8,457	-	8,457	8,457
Shop With a Cop Fund	2,066	2,061	3,561	566	-	566
Special Street Machinery Fund	229,716	53,879	-	283,595	-	283,595
Debt Service Fund – Bond and Interest Fund	24,932	237,955	229,973	32,914	-	32,914
Capital Project Funds:						
2010 Streetscape Improvements Fund	-	2,251,940	1,255,254	996,686	-	996,686
Streetscape Improvement Fund	100,899	249	62,589	38,559	-	38,559
2010 Street and Sewer Improvements	-	438,617	379,525	59,092	45,200	104,292
Proprietary Type Funds:						
Enterprise Funds:						
Electric System:						
Operating Fund	957,026	4,087,724	3,985,814	1,058,936	6,398	1,065,334
Meter Deposit Fund	-	401	401	-	44,800	44,800
Equipment Replacement Fund	220,280	279,720	-	500,000	-	500,000
Electric Distribution Upgrade Fund	1,121,403	197,264	528,380	790,287	-	790,287
Water System:						
Operating Fund	97,015	589,329	599,513	86,831	1,602	88,433
Meter Deposit Fund	-	30	30	-	2,040	2,040
Equipment Replacement Fund I	276,942	11,048	107,984	180,006	9,788	189,794
Equipment Replacement Fund II	123,214	6,309	-	129,523	-	129,523
Water Improvement Reserve Fund	233,871	218,195	30	452,036	-	452,036
Sanitation System:						
Operating Fund	51,639	252,638	223,632	80,645	720	81,365
Equipment Replacement Fund	98,003	48,399	-	146,402	-	146,402
Sewer System:						
Operating Fund	189,363	259,317	267,033	181,647	-	181,647
Equipment Reserve Fund I	138,155	237	57,550	80,842	-	80,842
Equipment Reserve Fund II	20,360	51	-	20,411	-	20,411
Total Reporting Entity (Excluding Agency Funds)	<u>\$4,906,224</u>	<u>\$10,783,220</u>	<u>\$9,635,919</u>	<u>\$6,053,525</u>	<u>\$175,281</u>	<u>\$6,228,806</u>

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

CITY OF HUGOTON, KANSAS

Statement 1
(Continued)

STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH

For the year ended December 31, 2010

Ending Cash Balance		<u>\$6,228,806</u>
Composition of Cash:		
Cash on hand with City Clerk	\$	300
Deposits in Local Depositories:		
Checking Accounts:		
Citizens State Bank – Operating account		241,564
Citizens State Bank – Petty cash		1,000
Certificates of Deposit – Citizens State Bank		5,686,000
Certificates of Deposit – First National Bank		<u>300,000</u>
Total Cash		\$6,228,864
Agency Funds per Statement 4		<u>(58)</u>
Total Reporting Entity (Excluding Agency Funds)		<u>\$6,228,806</u>

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

CITY OF HUGOTON, KANSAS

Statement 2

SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
(BUDGETED FUNDS ONLY)

For the year ended December 31, 2010

<u>Funds</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavor.)</u>
Governmental Type Funds:			
General Fund	\$2,050,000	\$1,796,182	\$ 253,818
Special Revenue Funds:			
Special City Streets and Highways Fund	146,100	114,136	31,964
Special Parks and Recreation Fund	10,425	3,867	6,558
Gas Royalty Fund	254,000	730	253,270
Convention and Tourism Promotion Fund	30,000	11,108	18,892
Animal Care Benevolence Fund	5,800	170	5,630
Park Bequest Fund	2,950	-	2,950
Golf Course Expansion Fund	310,000	-	310,000
City Hall Remodeling Fund	8,500	8,457	43
Shop With a Cop	8,750	3,561	5,189
Debt Service Fund:			
Bond and Interest Fund	230,200	229,973	227
Capital Project Fund:			
Streetscape Improvement Fund	201,500	62,589	138,911
Proprietary Type Funds:			
Enterprise Funds:			
Electric System:			
Operating Fund	4,450,000	3,985,814	464,186
Electric Distribution Upgrade Fund	1,372,750	528,380	844,370
Water System:			
Operating Fund	700,000	599,513	100,487
Water Improvement Fund	449,000	30	448,970
Sanitation System:			
Operating Fund	280,000	223,632	56,368
Sewer System:			
Operating Fund	380,000	267,033	112,967

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

CITY OF HUGOTON, KANSAS

Statement 3

STATEMENTS OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

CITY OF HUGOTON, KANSAS

Statement 3-1

GENERAL FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

<u>Cash Receipts</u>	Current Year			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
Taxes:				
Ad valorem property tax	\$ 551,952	\$ 564,000	\$ (12,048)	\$ 521,860
Back tax collections	16,311	9,243	7,068	10,274
Motor vehicle tax	105,676	109,936	(4,260)	127,823
16/20 vehicle tax	4,096	3,962	134	4,504
Recreational vehicle tax	2,012	2,439	(427)	2,591
Local sales tax	639,230	600,000	39,230	605,755
Franchise tax	<u>85,027</u>	<u>90,000</u>	<u>(4,973)</u>	<u>82,583</u>
Total taxes	<u>\$1,404,304</u>	<u>\$1,379,580</u>	<u>\$ 24,724</u>	<u>\$1,355,390</u>
Intergovernmental Revenue:				
Local alcoholic liquor	\$ 8,138	\$ 4,487	\$ 3,651	\$ 4,426
Compensating use tax	<u>107,709</u>	<u>50,000</u>	<u>57,709</u>	<u>110,877</u>
Total intergovernmental	<u>\$ 115,847</u>	<u>\$ 54,487</u>	<u>\$ 61,360</u>	<u>\$ 115,303</u>
Licenses, Permits and Fees:				
Licenses	\$ 4,730	\$ 4,450	\$ 280	\$ 6,865
Permits	917	1,750	(833)	2,511
Dog licenses & pound fees	<u>697</u>	<u>1,400</u>	<u>(703)</u>	<u>1,806</u>
Total licenses, permits & fees	<u>\$ 6,344</u>	<u>\$ 7,600</u>	<u>\$ (1,256)</u>	<u>\$ 11,182</u>
Use of Money & Property:				
Interest on time deposits	\$ 1,568	\$ 2,000	\$ (432)	\$ 2,150
Rentals and leases	1,452	1,650	(198)	1,410
Sale of property	<u>1,311</u>	<u>2,500</u>	<u>(1,189)</u>	<u>4,077</u>
Total use of money & property	<u>\$ 4,331</u>	<u>\$ 6,150</u>	<u>\$ (1,819)</u>	<u>\$ 7,637</u>
Other:				
Charges for services	\$ 1,175	\$ 4,450	\$ (3,275)	\$ 3,689
Fines, forfeitures & penalties	39,247	40,000	(753)	42,429
Golf course income	119,376	124,980	(5,604)	128,203
Miscellaneous	34,036	10,200	23,836	80,529
Transfer	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,640</u>
Total other	<u>\$ 193,834</u>	<u>\$ 179,630</u>	<u>\$ 14,204</u>	<u>\$ 267,490</u>
Total cash receipts	<u>\$1,724,660</u>	<u>\$1,627,447</u>	<u>\$ 97,213</u>	<u>\$1,757,002</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-1
(Continued)

GENERAL FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
<u>Expenditures Subject to Budget</u>				
General Government – Administration:				
Personal services	\$ 190,039	\$ 190,755	\$ 716	\$ 182,167
Contractual services	62,240	178,655	116,415	221,690
Commodities	9,249	16,500	7,251	7,992
Capital outlay	-	49,090	49,090	28,422
Transfer	-	50,000	50,000	-
Totals	<u>\$ 261,528</u>	<u>\$ 485,000</u>	<u>\$223,472</u>	<u>\$ 440,271</u>
Municipal Court:				
Personal services	\$ 17,583	\$ 17,940	\$ 357	\$ 16,942
Contractual services	31,962	34,000	2,038	33,044
Commodities	288	800	512	492
Capital outlay	-	2,260	2,260	-
Totals	<u>\$ 49,833</u>	<u>\$ 55,000</u>	<u>\$ 5,167</u>	<u>\$ 50,478</u>
Public Safety – Police:				
Personal services	\$ 407,881	\$ 439,005	\$ 31,124	\$ 391,328
Contractual services	57,547	117,875	60,328	125,256
Commodities	33,679	34,500	821	28,333
Capital outlay	28,685	33,875	5,190	29,366
Debt service	14,745	14,745	-	14,745
Totals	<u>\$ 542,537</u>	<u>\$ 640,000</u>	<u>\$ 97,463</u>	<u>\$ 589,028</u>
Public Works – Streets and Alleys:				
Personal services	\$ 244,657	\$ 238,445	\$ (6,212)	\$ 234,202
Contractual services	69,510	59,700	(9,810)	56,259
Commodities	145,369	84,050	(61,319)	75,150
Capital outlay	11,167	67,825	56,658	12,204
Transfers	53,248	49,980	(3,268)	50,459
Totals	<u>\$ 523,951</u>	<u>\$ 500,000</u>	<u>\$ (23,951)</u>	<u>\$ 428,274</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-1
(Continued)

GENERAL FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – 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
	Actual	Budget	Variance Favorable (Unfavor.)	
<u>Expenditures Subject to Budget</u>				
Culture & Recreation – Parks:				
Personal services	\$ 56,736	\$ 52,955	\$ (3,781)	\$ 52,121
Contractual services	28,318	17,065	(11,253)	18,068
Commodities	7,129	13,875	6,746	12,949
Capital outlay	16,739	41,105	24,366	7,194
Totals	<u>\$ 108,922</u>	<u>\$ 125,000</u>	<u>\$ 16,078</u>	<u>\$ 90,332</u>
Economic Development:				
Contractual services	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>-</u>	<u>\$ 20,000</u>
Golf Course:				
Personal services	\$ 163,503	\$ 158,145	\$ (5,358)	\$ 150,488
Contractual services	45,899	38,580	(7,319)	45,412
Commodities	62,839	19,205	(43,634)	34,051
Capital outlay	8,100	-	(8,100)	32,028
Debt Service	9,070	9,070	-	9,070
Totals	<u>\$ 289,411</u>	<u>\$ 225,000</u>	<u>\$ (64,411)</u>	<u>\$ 271,049</u>
 Total expenditures subject to budget	 <u>\$1,796,182</u>	 <u>\$2,050,000</u>	 <u>\$253,818</u>	 <u>\$1,889,432</u>
 Cash receipts over (under) expenditures	 \$ (71,522)			 \$ (132,430)
 Unencumbered Cash, January 1	 <u>438,121</u>			 <u>570,551</u>
 Unencumbered Cash, December 31	 <u>\$ 366,599</u>			 <u>\$ 438,121</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-2

SPECIAL CITY STREETS AND HIGHWAYS FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	Current Year		Variance Favorable (Unfavor.)	Prior Year Actual
	Actual	Budget		
<u>Cash Receipts</u>				
Intergovernmental:				
Gasoline tax	\$ 92,211	\$ 98,930	\$ (6,719)	\$ 86,045
Use of Money and Property:				
Interest on time deposits	<u>132</u>	<u>170</u>	<u>(38)</u>	<u>174</u>
Total cash receipts	\$ <u>92,343</u>	\$ <u>99,100</u>	\$ <u>(6,757)</u>	\$ <u>86,219</u>
<u>Expenditures Subject to Budget</u>				
Public Works:				
Personal services	\$ 13,116	\$ 10,000	\$ (3,116)	\$ 9,529
Contractual services	-	5,100	5,100	-
Commodities	<u>101,020</u>	<u>131,000</u>	<u>29,980</u>	<u>78,629</u>
Total expenditures subject to budget	\$ <u>114,136</u>	\$ <u>146,100</u>	\$ <u>31,964</u>	\$ <u>88,158</u>
Cash receipts over (under) expenditures	\$ (21,793)			\$ (1,939)
Unencumbered Cash, January 1	<u>45,936</u>			<u>47,875</u>
Unencumbered Cash, December 31	\$ <u>24,143</u>			\$ <u>45,936</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-3

SPECIAL PARKS AND RECREATION FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010
 (with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>		<u>Variance</u>	<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Favorable</u>	<u>Year</u>
			<u>(Unfavor.)</u>	<u>Actual</u>
<u>Cash Receipts</u>				
Intergovernmental:				
Liquor tax	\$ 8,138	\$ 4,487	\$ 3,651	\$ 4,426
Use of Money and Property:				
Interest on time deposits	<u>16</u>	<u>13</u>	<u>3</u>	<u>10</u>
Total cash receipts	<u>\$ 8,154</u>	<u>\$ 4,500</u>	<u>\$ 3,654</u>	<u>\$ 4,436</u>
<u>Expenditures Subject to Budget</u>				
Culture & Recreation:				
Personal services	\$ 3,867	\$ 2,500	\$ (1,367)	\$ 3,192
Contractual services	<u>-</u>	<u>7,925</u>	<u>7,925</u>	<u>-</u>
Total expenditures subject to budget	<u>\$ 3,867</u>	<u>\$ 10,425</u>	<u>\$ 6,558</u>	<u>\$ 3,192</u>
Cash receipts over (under) expenditures	\$ 4,287			\$ 1,244
Unencumbered Cash, January 1	<u>4,428</u>			<u>3,184</u>
Unencumbered Cash, December 31	<u>\$ 8,715</u>			<u>\$ 4,428</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-4

GAS ROYALTY FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u>	<u>Prior</u> <u>Year</u> <u>Actual</u>
<u>Cash Receipts</u>				
Use of Money and Property:				
Royalty income and gas sales	\$ 11,736	\$ 3,675	\$ 8,061	\$ 30,780
Interest on time deposits	631	175	456	653
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>52</u>
Total cash receipts	<u>\$ 12,367</u>	<u>\$ 3,850</u>	<u>\$ 8,517</u>	<u>\$ 31,485</u>
<u>Expenditures Subject to Budget</u>				
Public Works:				
Contractual	\$ 730	\$ 10,000	\$ 9,270	\$ 1,002
Commodities	-	1,000	1,000	-
Capital outlay	<u>-</u>	<u>243,000</u>	<u>243,000</u>	<u>-</u>
Total expenditures subject to budget	<u>\$ 730</u>	<u>\$254,000</u>	<u>\$253,270</u>	<u>\$ 1,002</u>
Cash receipts over (under) expenditures	\$ 11,637			\$ 30,483
Unencumbered Cash, January 1	<u>249,107</u>			<u>218,624</u>
Unencumbered Cash, December 31	<u>\$260,744</u>			<u>\$249,107</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-5

CONVENTION AND TOURISM PROMOTION FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
<u>Cash Receipts</u>				
Use of Money and Property:				
Interest on time deposits	\$ 52	\$ 150	\$ (98)	\$ 63
Transient guest tax	<u>8,871</u>	<u>7,050</u>	<u>1,821</u>	<u>7,503</u>
Total cash receipts	<u>\$ 8,923</u>	<u>\$ 7,200</u>	<u>\$ 1,723</u>	<u>\$ 7,566</u>
<u>Expenditures Subject to Budget</u>				
Contractual	\$ 11,108	\$ 27,000	\$ 15,892	\$ 4,500
Commodities	<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total expenditures subject to budget	<u>\$ 11,108</u>	<u>\$ 30,000</u>	<u>\$ 18,892</u>	<u>\$ 4,500</u>
Cash receipts over (under) expenditures	\$ (2,185)			\$ 3,066
Unencumbered Cash, January 1	<u>22,273</u>			<u>19,207</u>
Unencumbered Cash, December 31	<u>\$ 20,088</u>			<u>\$ 22,273</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-6

BOND AND INTEREST FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	Current Year			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
<u>Cash Receipts</u>				
Taxes:				
Ad valorem property tax	\$ 16,435	\$ -	\$ 16,435	\$ 22,285
Back tax collections	-	308	(308)	463
Motor vehicle tax	-	4,711	(4,711)	4,854
16/20 vehicle tax	-	179	(179)	47
Recreational vehicle tax	-	105	(105)	93
Use of Money and Property:				
Interest on time deposits	93	25	68	125
Other Revenue:				
Special assessments	-	3,445	(3,445)	33,503
Transfers	<u>221,427</u>	<u>221,427</u>	<u>-</u>	<u>222,870</u>
Total cash receipts	<u>\$237,955</u>	<u>\$230,200</u>	<u>\$ 7,755</u>	<u>\$284,240</u>
<u>Expenditures Subject to Budget</u>				
Principal	\$195,000	\$195,000	\$ -	\$230,000
Interest	34,973	34,973	-	43,557
Commission	<u>-</u>	<u>227</u>	<u>227</u>	<u>1</u>
Total expenditures subject to budget	<u>\$229,973</u>	<u>\$230,200</u>	<u>\$ 227</u>	<u>\$273,558</u>
Cash receipts over (under) expenditures	\$ 7,982			\$ 10,682
Unencumbered Cash, January 1	<u>24,932</u>			<u>14,250</u>
Unencumbered Cash, December 31	<u>\$ 32,914</u>			<u>\$ 24,932</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-7

ELECTRIC SYSTEM FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
<u>Cash Receipts</u>				
Sales to customers	\$3,949,366	\$3,599,162	\$350,204	\$3,619,678
Penalties	39,568	33,000	6,568	35,624
Other Revenue:				
Merchandise	419	2,000	(1,581)	3,697
Inspections	1,224	450	774	271
Gas sales	64,929	36,000	28,929	44,381
Miscellaneous	27,316	17,500	9,816	29,871
Use of Money and Property:				
Interest on time deposits	4,902	6,000	(1,098)	6,207
Rentals	<u>-</u>	<u>150</u>	<u>(150)</u>	<u>120</u>
Total cash receipts	<u>\$4,087,724</u>	<u>\$3,694,262</u>	<u>\$393,462</u>	<u>\$3,739,849</u>
<u>Expenditures Subject to Budget</u>				
Production Expense:				
Personal services	\$ 347,879	\$ 365,185	\$ 17,306	\$ 325,538
Contractual services	2,170,725	2,731,375	560,650	1,925,969
Commodities	40,648	65,650	25,002	33,044
Capital outlay	19,624	30,000	10,376	40,267
Distribution Expense:				
Personal services	241,402	254,330	12,928	230,430
Contractual services	36,058	17,800	(18,258)	19,372
Commodities	238,999	185,125	(53,874)	482,147
Capital outlay	9,704	-	(9,704)	32,615

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

CITY OF HUGOTON, KANSAS

Statement 3-7
(Continued)

ELECTRIC SYSTEM FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>		<u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u>	<u>Prior</u> <u>Year</u> <u>Actual</u>
	<u>Actual</u>	<u>Budget</u>		
<u>Expenditures Subject to Budget (Cont.)</u>				
General and Administrative:				
Personal services	160,921	177,570	16,649	154,834
Contractual services	265,099	224,860	(40,239)	225,886
Commodities	4,420	5,750	1,330	2,734
Capital outlay	1,467	10,000	8,533	-
Transfers	<u>448,868</u>	<u>382,355</u>	<u>(66,513)</u>	<u>168,819</u>
Total expenditures subject to budget	<u>\$3,985,814</u>	<u>\$4,450,000</u>	<u>\$464,186</u>	<u>\$3,641,655</u>
Cash receipts over (under) expenditures	\$ 101,910			\$ 98,194
Unencumbered Cash, January 1	<u>957,026</u>			<u>858,832</u>
Unencumbered Cash, December 31	<u>\$1,058,936</u>			<u>\$ 957,026</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-8

WATER SYSTEM FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
<u>Cash Receipts</u>				
Water sales to customers	\$550,823	\$584,087	\$ (33,264)	\$540,941
Other Revenue:				
Water dock	1,756	1,200	556	1,085
Tank water	15,147	16,000	(853)	13,723
Inspections	560	500	60	837
Water services	16,207	8,000	8,207	11,722
Sale of merchandise	1,916	1,000	916	967
Miscellaneous	2,621	1,900	721	2,724
Use of Money and Property:				
Interest on time deposits	209	200	9	323
Rentals	90	250	(160)	361
Total cash receipts	<u>\$589,329</u>	<u>\$613,137</u>	<u>\$ (23,808)</u>	<u>\$572,683</u>
 <u>Expenditures Subject to Budget</u>				
Production Expense:				
Personal services	\$ 163	\$ 525	\$ 362	\$ -
Contractual services	115,617	140,850	25,233	113,349
Commodities	4,659	5,000	341	4,798
Capital outlay	-	-	-	981
Distribution Expense:				
Personal services	147,519	146,270	(1,249)	133,151
Contractual services	22,473	13,150	(9,323)	11,914
Commodities	56,313	50,000	(6,313)	54,471
Capital outlay	3,065	-	(3,065)	5,364
Administrative & General Expense:				
Personal services	105,627	120,795	15,168	103,211
Contractual services	47,593	34,060	(13,533)	30,217
Commodities	5,669	6,900	1,231	5,654

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

CITY OF HUGOTON, KANSAS

Statement 3-8
(Continued)

WATER SYSTEM FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET
For the year ended December 31, 2010
(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>		<u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u>	<u>Prior</u> <u>Year</u> <u>Actual</u>
	<u>Actual</u>	<u>Budget</u>		
<u>Expenditures Subject to Budget (Continued)</u>				
Water Protection Fee	11,558	13,500	1,942	11,587
Lease purchase payments	13,533	13,535	2	13,533
Transfers	<u>65,724</u>	<u>155,415</u>	<u>89,691</u>	<u>99,726</u>
Total expenditures subject to budget	<u>\$599,513</u>	<u>\$700,000</u>	<u>\$100,487</u>	<u>\$587,956</u>
Cash receipts over (under) expenditures	\$ (10,184)			\$ (15,273)
Unencumbered Cash, January 1	<u>97,015</u>			<u>112,288</u>
Unencumbered Cash, December 31	<u>\$ 86,831</u>			<u>\$ 97,015</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-9

SANITATION SYSTEM FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
<u>Cash Receipts</u>				
Sales to customers	\$249,330	\$245,308	\$ 4,022	\$240,440
Other Revenue:				
Miscellaneous	3,151	750	2,401	4,383
Use of Money and Property:				
Interest on time deposits	<u>157</u>	<u>100</u>	<u>57</u>	<u>109</u>
Total cash receipts	<u>\$252,638</u>	<u>\$246,158</u>	<u>\$ 6,480</u>	<u>\$244,932</u>
<u>Expenditures Subject to Budget</u>				
Collection and Disposal Expense:				
Personal services	\$ 79,490	\$ 87,555	\$ 8,065	\$ 80,939
Contractual services	14,802	11,870	(2,932)	8,619
Commodities	32,947	67,790	34,843	53,789
Administrative and General Expense:				
Personal services	44,759	54,920	10,161	43,676
Contractual services	3,013	3,100	87	2,680
Commodities	521	1,000	479	307
Transfers	<u>48,100</u>	<u>53,765</u>	<u>5,665</u>	<u>36,000</u>
Total expenditures subject to budget	<u>\$223,632</u>	<u>\$280,000</u>	<u>\$ 56,368</u>	<u>\$226,010</u>
Cash receipts over (under) expenditures	\$ 29,006			\$ 18,922
Unencumbered Cash, January 1	<u>51,639</u>			<u>32,717</u>
Unencumbered Cash, December 31	<u>\$ 80,645</u>			<u>\$ 51,639</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-10

SEWER SYSTEM FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
<u>Cash Receipts</u>				
Sales to customers	\$256,104	\$258,690	\$ (2,586)	\$255,189
Other Revenue:				
Merchandise	-	-	-	1,000
Miscellaneous	1,416	1,600	(184)	2,192
Use of Money and Property:				
Interest on time deposits	465	400	65	466
Rentals	<u>1,332</u>	<u>-</u>	<u>1,332</u>	<u>-</u>
Total cash receipts	<u>\$259,317</u>	<u>\$260,690</u>	<u>\$ (1,373)</u>	<u>\$258,847</u>
<u>Expenditures Subject to Budget</u>				
Collection and Disposal Expense:				
Personal services	\$ 41,156	\$ 46,605	\$ 5,449	\$ 35,795
Contractual services	18,623	25,705	7,082	18,776
Commodities	9,087	25,280	16,193	6,270
Capital outlay	5,515	-	(5,515)	-
Administrative and General Expense:				
Personal services	59,079	69,230	10,151	56,418
Contractual services	33,436	7,625	(25,811)	3,378
Commodities	521	1,500	979	307
Debt Service	97,376	97,376	-	97,376
Transfers	<u>2,240</u>	<u>106,679</u>	<u>104,439</u>	<u>2,032</u>
Total expenditures subject to budget	<u>\$267,033</u>	<u>\$380,000</u>	<u>\$112,967</u>	<u>\$220,352</u>
Cash receipts over (under) expenditures	\$ (7,716)			\$ 38,495
Unencumbered Cash, January 1	<u>189,363</u>			<u>150,868</u>
Unencumbered Cash, December 31	<u>\$181,647</u>			<u>\$189,363</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-11

PARK BEQUEST FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET
 For the year ended December 31, 2010
 (with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
<u>Cash Receipts</u>				
Use of Money and Property:				
Interest on time deposits	\$ <u>6</u>	\$ <u>35</u>	\$ <u>(29)</u>	\$ <u>9</u>
<u>Expenditures Subject to Budget</u>				
Contractual services	-	\$ 500	\$ 500	\$ 400
Commodities	-	50	50	-
Capital outlay	<u>-</u>	<u>2,400</u>	<u>2,400</u>	<u>-</u>
Total expenditures subject to budget	<u>-</u>	\$ <u>2,950</u>	\$ <u>2,950</u>	\$ <u>400</u>
Cash receipts over (under) expenditures	\$ 6			\$ (391)
Unencumbered Cash, January 1	<u>2,910</u>			<u>3,301</u>
Unencumbered Cash, December 31	\$ <u>2,916</u>			\$ <u>2,910</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-12

ANIMAL CARE BENEVOLENCE FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
<u>Cash Receipts</u>				
Use of Money and Property:				
Interest on time deposits	\$ 13	\$ 50	\$ (37)	\$ 13
Donation	<u>750</u>	<u>1,500</u>	<u>(750)</u>	<u>1,355</u>
Total cash receipts	<u>\$ 763</u>	<u>\$ 1,550</u>	<u>\$ (787)</u>	<u>\$ 1,368</u>
<u>Expenditures Subject to Budget</u>				
Contractual services	\$ 170	\$ 5,300	\$ 5,130	\$ 485
Commodities	<u>-</u>	<u>500</u>	<u>500</u>	<u>225</u>
Total expenditures subject to budget	<u>\$ 170</u>	<u>\$ 5,800</u>	<u>\$ 5,630</u>	<u>\$ 710</u>
Cash receipts over (under) expenditures	\$ 593			\$ 658
Unencumbered Cash, January 1	<u>4,741</u>			<u>4,083</u>
Unencumbered Cash, December 31	<u>\$ 5,334</u>			<u>\$ 4,741</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-13

ELECTRIC DISTRIBUTION UPGRADE FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u>	<u>Year</u> <u>Actual</u>
<u>Cash Receipts</u>				
Use of Money and Property:				
Royalty income and gas sales	\$ 194,788	\$ 108,000	\$ 86,788	\$ 133,142
Interest on time deposits	<u>2,476</u>	<u>3,500</u>	<u>(1,024)</u>	<u>3,730</u>
Total cash receipts	\$ <u>197,264</u>	\$ <u>111,500</u>	\$ <u>85,764</u>	\$ <u>136,872</u>
<u>Expenditures Subject to Budget</u>				
Commodities	\$ 108,218	\$ -	\$ (108,218)	\$ -
Capital outlay	<u>420,162</u>	<u>1,372,750</u>	<u>952,588</u>	<u>284,728</u>
Total expenditures subject to budget	\$ <u>528,380</u>	\$ <u>1,372,750</u>	\$ <u>844,370</u>	\$ <u>284,728</u>
Cash receipts over (under) expenditures	\$ (331,116)			\$ (147,856)
Unencumbered Cash, January 1	<u>1,121,403</u>			<u>1,269,259</u>
Unencumbered Cash, December 31	\$ <u>790,287</u>			\$ <u>1,121,403</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-14

GOLF COURSE EXPANSION FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
<u>Cash Receipts</u>				
Use of Money and Property:				
Interest on time deposits	\$ 620	\$ 2,000	\$ (1,380)	\$ 571
Miscellaneous receipts	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>	<u>170,000</u>
Total cash receipts	<u>\$ 620</u>	<u>\$ 52,000</u>	<u>\$ (51,380)</u>	<u>\$170,571</u>
<u>Expenditures Subject to Budget</u>				
Capital outlay	-	\$310,000	\$310,000	\$ -
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,640</u>
Total expenditures subject to budget	<u>-</u>	<u>\$310,000</u>	<u>\$310,000</u>	<u>\$ 12,640</u>
Cash receipts over (under) expenditures	\$ 620			\$157,931
Unencumbered Cash, January 1	<u>245,388</u>			<u>87,457</u>
Unencumbered Cash, December 31	<u>\$246,008</u>			<u>\$245,388</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-15

CITY HALL REMODELING FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
<u>Cash Receipts</u>				
Use of Money and Property:				
Interest on time deposits	\$ <u>21</u>	\$ <u>50</u>	\$ <u>(29)</u>	\$ <u>25</u>
<u>Expenditures Subject to Budget</u>				
Contractual services	\$ 8,457	\$ 750	\$ (7,707)	-
Commodities	-	250	250	-
Capital outlay	<u>-</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>
Total expenditures subject to budget	\$ <u>8,457</u>	\$ <u>8,500</u>	\$ <u>43</u>	<u>-</u>
Cash receipts over (under) expenditures				\$ 25
Unencumbered Cash, January 1	<u>8,436</u>			<u>8,411</u>
Unencumbered Cash, December 31	<u>-</u>			\$ <u>8,436</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-16

SHOP WITH A COP FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u>	<u>Prior</u> <u>Year</u> <u>Actual</u>
<u>Cash Receipts</u>				
Use of Money and Property:				
Interest on time deposits	\$ 5	\$ 10	\$ (5)	\$ 5
Contributions	<u>2,056</u>	<u>5,000</u>	<u>(2,944)</u>	<u>2,988</u>
Total cash receipts	<u>\$ 2,061</u>	<u>\$ 5,010</u>	<u>\$ (2,949)</u>	<u>\$ 2,993</u>
<u>Expenditures Subject to Budget</u>				
Contractual services	\$ 421	\$ 100	\$ (321)	\$ 189
Commodities	<u>3,140</u>	<u>8,650</u>	<u>5,510</u>	<u>2,771</u>
Total expenditures subject to budget	<u>\$ 3,561</u>	<u>\$ 8,750</u>	<u>\$ 5,189</u>	<u>\$ 2,960</u>
Cash receipts over (under) expenditures	\$ (1,500)			\$ 33
Unencumbered Cash, January 1	<u>2,066</u>			<u>2,033</u>
Unencumbered Cash, December 31	<u>\$ 566</u>			<u>\$ 2,066</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-17

STREETSCAPE IMPROVEMENT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
<u>Cash Receipts</u>				
Use of Money and Property:				
Interest on time deposits	\$ <u>249</u>	\$ <u>200</u>	\$ <u>49</u>	\$ <u>299</u>
<u>Expenditures Subject to Budget</u>				
Contractual services	\$ 47,117	\$ -	\$ (47,117)	\$ 434
Commodities	15,472	-	(15,472)	-
Capital outlay	<u>-</u>	<u>201,500</u>	<u>201,500</u>	<u>-</u>
Total expenditures subject to budget	\$ <u>62,589</u>	\$ <u>201,500</u>	\$ <u>138,911</u>	\$ <u>434</u>
Cash receipts over (under) expenditures	\$ (62,340)			\$ (135)
Unencumbered Cash, January 1	<u>100,899</u>			<u>101,034</u>
Unencumbered Cash, December 31	\$ <u>38,559</u>			\$ <u>100,899</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-18

WATER IMPROVEMENT RESERVE FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH – ACTUAL AND BUDGET

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Current Year</u>			<u>Prior Year Actual</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavor.)</u>	
<u>Cash Receipts</u>				
Collections from utility bills	\$216,939	\$215,300	\$ 1,639	\$215,697
Miscellaneous	402	50	352	151
Use of Money and Property:				
Interest on time deposits	<u>854</u>	<u>350</u>	<u>504</u>	<u>326</u>
Total cash receipts	<u>\$218,195</u>	<u>\$215,700</u>	<u>\$ 2,495</u>	<u>\$216,174</u>
<u>Expenditures Subject to Budget</u>				
Contractual services	\$ 30	\$ -	\$ (30)	\$ 40
Capital outlay	<u>-</u>	<u>449,000</u>	<u>449,000</u>	<u>-</u>
Total expenditures subject to budget	<u>\$ 30</u>	<u>\$449,000</u>	<u>\$448,970</u>	<u>\$ 40</u>
Cash receipts over (under) expenditures	\$218,165			\$216,134
Unencumbered Cash, January 1	<u>233,871</u>			<u>17,737</u>
Unencumbered Cash, December 31	<u>\$452,036</u>			<u>\$233,871</u>

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

CITY OF HUGOTON, KANSAS

Statement 3
(Continued)

STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
For the year ended December 31, 2010

CITY OF HUGOTON, KANSAS

Statement 3-19

SPECIAL STREET MACHINERY FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Year Ended</u>	
	<u>Current</u>	<u>Prior</u>
<u>Cash Receipts</u>		
Use of Money and Property:		
Interest on time deposits	\$ 631	\$ 645
Transfers	<u>53,248</u>	<u>50,459</u>
Total cash receipts	\$ 53,879	\$ 51,104
<u>Expenditures</u>		
Capital outlay	<u>-</u>	<u>94,270</u>
Cash receipts over (under) expenditures	\$ 53,879	\$ (43,166)
Unencumbered Cash, January 1	<u>229,716</u>	<u>272,882</u>
Unencumbered Cash, December 31	<u>\$283,595</u>	<u>\$229,716</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-20

ELECTRIC METER DEPOSIT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
 For the year ended December 31, 2010
 (with comparative actual totals for the prior year ended December 31, 2009)

	<u>Year Ended</u>	
	<u>Current</u>	<u>Prior</u>
<u>Cash Receipts</u>		
Customer deposits received	\$ 401	\$ 408
 <u>Expenditures</u>		
Customer deposits returned, forfeited or forfeitable	401	408
Cash receipts over (under) expenditures	-	-
Unencumbered Cash, January 1	-	-
Unencumbered Cash, December 31	-	-

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

CITY OF HUGOTON, KANSAS

Statement 3-21

ELECTRIC EQUIPMENT REPLACEMENT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Year Ended</u>	
	<u>Current</u>	<u>Prior</u>
<u>Cash Receipts</u>		
Use of Money and Property:		
Interest on time deposits	\$ 729	\$ 1,246
Transfers	<u>278,991</u>	<u>-</u>
Total cash receipts	\$279,720	\$ 1,246
<u>Expenditures</u>		
Capital outlay	<u>-</u>	<u>202,245</u>
Cash receipts over (under) expenditures	\$279,720	\$ (200,999)
Unencumbered Cash, January 1	<u>220,280</u>	<u>421,279</u>
Unencumbered Cash, December 31	<u>\$500,000</u>	<u>\$ 220,280</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-22

WATER METER DEPOSIT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
 For the year ended December 31, 2010
 (with comparative actual totals for the prior year ended December 31, 2009)

	<u>Year Ended</u>	
	<u>Current</u>	<u>Prior</u>
<u>Cash Receipts</u>		
Customer deposits received	\$ 30	\$ 21
<u>Expenditures</u>		
Customer deposits returned, forfeited or forfeitable	<u>30</u>	<u>21</u>
Cash receipts over (under) expenditures	-	-
Unencumbered Cash, January 1	<u>-</u>	<u>-</u>
Unencumbered Cash, December 31	<u>-</u>	<u>-</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-23

WATER EQUIPMENT REPLACEMENT FUND I
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Year Ended</u>	
	<u>Current</u>	<u>Prior</u>
<u>Cash Receipts</u>		
Use of Money and Property:		
Interest on time deposits	\$ 634	\$ 799
Transfers	<u>10,414</u>	<u>35,707</u>
Total cash receipts	\$ 11,048	\$ 36,506
<u>Expenditures</u>		
Capital outlay	<u>107,984</u>	<u>—</u>
Cash receipts over (under) expenditures	\$ (96,936)	\$ 36,506
Unencumbered Cash, January 1	<u>276,942</u>	<u>240,436</u>
Unencumbered Cash, December 31	<u>\$180,006</u>	<u>\$276,942</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-24

WATER EQUIPMENT REPLACEMENT FUND II
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Year Ended</u>	
	<u>Current</u>	<u>Prior</u>
<u>Cash Receipts</u>		
Use of Money and Property:		
Interest on time deposits	\$ 309	\$ 344
Transfers	<u>6,000</u>	<u>12,000</u>
Total cash receipts	\$ 6,309	\$ 12,344
<u>Expenditures</u>	<u>-</u>	<u>-</u>
Cash receipts over (under) expenditures	\$ 6,309	\$ 12,344
Unencumbered Cash, January 1	<u>123,214</u>	<u>110,870</u>
Unencumbered Cash, December 31	<u>\$129,523</u>	<u>\$123,214</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-25

SANITATION EQUIPMENT REPLACEMENT FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Year Ended</u>	
	<u>Current</u>	<u>Prior</u>
<u>Cash Receipts</u>		
Use of Money and Property:		
Interest on time deposits	\$ 299	\$ 241
Transfers	<u>48,100</u>	<u>36,000</u>
Total cash receipts	\$ 48,399	\$ 36,241
<u>Expenditures</u>		
Capital outlay	<u>-</u>	<u>10,000</u>
Cash receipts over (under) expenditures	\$ 48,399	\$ 26,241
Unencumbered Cash, January 1	<u>98,003</u>	<u>71,762</u>
Unencumbered Cash, December 31	<u>\$146,402</u>	<u>\$ 98,003</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-26

SEWER SYSTEM RESERVE FUND I
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
 For the year ended December 31, 2010
 (with comparative actual totals for the prior year ended December 31, 2009)

	<u>Year Ended</u>	
	<u>Current</u>	<u>Prior</u>
<u>Cash Receipts</u>		
Use of Money and Property:		
Interest on time deposits	\$ <u>237</u>	\$ <u>507</u>
 <u>Expenditures</u>		
Capital outlay	\$ -	\$ 34,048
Debt service	<u>57,550</u>	<u>57,550</u>
 Total expenditures	 \$ <u>57,550</u>	 \$ <u>91,598</u>
 Cash receipts over (under) expenditures	 \$ (57,313)	 \$ (91,091)
 Unencumbered Cash, January 1	 <u>138,155</u>	 <u>229,246</u>
 Unencumbered Cash, December 31	 <u>\$ 80,842</u>	 <u>\$138,155</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-27

SEWER SYSTEM RESERVE FUND II
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL
 For the year ended December 31, 2010
 (with comparative actual totals for the prior year ended December 31, 2009)

	<u>Year Ended</u>	
	<u>Current</u>	<u>Prior</u>
<u>Cash Receipts</u>		
Use of Money and Property:		
Interest on time deposits	\$ 51	\$ 60
<u>Expenditures</u>	-	-
Cash receipts over (under) expenditures	\$ 51	\$ 60
Unencumbered Cash, January 1	<u>20,360</u>	<u>20,300</u>
Unencumbered Cash, December 31	<u>\$ 20,411</u>	<u>\$ 20,360</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-28

2010 STREETSCAPE IMPROVEMENTS FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Year Ended</u>	
	<u>Current</u>	<u>Prior</u>
<u>Cash Receipts</u>		
Use of Money and Property:		
Interest on time deposits	\$ 2,431	-
State aid	980,969	-
Financing proceeds	<u>1,268,540</u>	<u>-</u>
Total cash receipts	\$2,251,940	-
<u>Expenditures</u>		
Contractual services	<u>1,255,254</u>	<u>-</u>
Cash receipts over (under) expenditures	\$ 996,686	-
Unencumbered Cash, January 1	<u>-</u>	<u>-</u>
Unencumbered Cash, December 31	<u>\$ 996,686</u>	<u>-</u>

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

CITY OF HUGOTON, KANSAS

Statement 3-29

STREET AND SEWER IMPROVEMENTS FUND
STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH – ACTUAL

For the year ended December 31, 2010

(with comparative actual totals for the prior year ended December 31, 2009)

	<u>Year Ended</u>	
	<u>Current</u>	<u>Prior</u>
<u>Cash Receipts</u>		
Use of Money and Property:		
Interest on time deposits	\$ 373	-
Financing proceeds	<u>438,244</u>	<u>-</u>
Total cash receipts	<u>\$438,617</u>	<u>-</u>
<u>Expenditures</u>		
Contractual services	\$269,765	-
Commodities	2,280	-
Capital outlay	<u>107,480</u>	<u>-</u>
Total expenditures	<u>\$379,525</u>	<u>-</u>
Cash receipts over (under) expenditures	\$ 59,092	-
Unencumbered Cash, January 1	<u>-</u>	<u>-</u>
Unencumbered Cash, December 31	<u>\$ 59,092</u>	<u>-</u>

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

CITY OF HUGOTON, KANSAS

Statement 4

AGENCY FUNDS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
 For the year ended December 31, 2010

<u>Funds</u>	<u>Beginning</u> <u>Cash</u> <u>Balance</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Ending</u> <u>Cash</u> <u>Balance</u>
Payroll Clearing Fund	\$ 380	\$645,403	\$645,783	\$ -
Sales Tax Fund	<u>58</u>	<u>2,253</u>	<u>2,253</u>	<u>58</u>
Total	<u>\$ 438</u>	<u>\$647,656</u>	<u>\$648,036</u>	<u>\$ 58</u>

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

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The City of Hugoton is a municipal corporation governed by an elected six member council. These financial statements present the City of Hugoton (the primary government). A component unit is defined as an entity legally separate from the City, which has a significant dependence on, or relationship with, the City. Based on the criteria used to evaluate potential component units, it was determined that there were no component units to present with the primary governments financial statements.

Component Units not Presented

The City Council is responsible for appointing the members of the Planning Commission. The Planning Commission has no budgetary or disbursing authority. Its function is solely to advise the City Council and, therefore, is a part of the primary government.

Jointly Governed Organizations

The City, in conjunction with each township in the county, has created the Hugoton Cemetery District. The Hugoton Cemetery District's board consists of one representative from each of the participating entities.

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 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.

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Descriptions (Continued)

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.

Capital Project Funds – to account for cash resources segregated for the acquisition of major capital facilities (other than those financed by Enterprise Funds).

Debt Service Funds – to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City.

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 revenue earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Agency Funds – to account for assets held by a governmental unit as trustee or agent for others.

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate 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.

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

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 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 generally accepted accounting principles. General capital assets that account for the land, buildings and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Other Accounting Policies

Cash and Time Deposits

These liquid assets are shown in aggregate. K.S.A. 12-1671 and 12-1672 allow these assets to be shown in aggregate. Deposits are carried at cost.

In accordance with K.S.A. 9-1402 and K.S.A. 12-1675, the City of Hugoton, Kansas, deposited and/or invested all funds with the Citizens State Bank or the First National Bank of Hugoton, Kansas.

Special Assessments

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the bond and interest fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the bond and interest fund.

Temporary Notes

Upon authorization for the issuance of general obligation bonds for certain improvements, Kansas law permits the temporary financing of such improvements by the issuance of temporary notes. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance of such temporary notes. Temporary notes outstanding are retired from the proceeds of the sale of general obligation bonds.

Vouchers Payable

Vouchers payable are classified on the basis of a claim for payment resulting from legal title to property.

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds.

In addition, encumbrances do constitute expenditures of a fund.

Unencumbered Cash Balance

The unencumbered cash balance is the unobligated resources of cash and time deposits of a fund.

Note 2: 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:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: Budgetary Information (Continued)

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.

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

All legal annual operating budgets are prepared using the 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 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 expenditures authority) lapse at year end.

A legal operating budget is not required for capital projects funds, fiduciary type funds, non-operating enterprise funds and some special revenue funds.

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.

All budgets must be filed with the County Clerk by August 25th. The County Clerk must calculate the final tax levy rates necessary to finance the budget subject to any legal limitations. After all budgets have been received and tax rates calculated, the Clerk certifies the tax roll to the County Treasurer, who prepares tax statements and receives payments.

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 2: Budgetary Information (Continued)

These 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 12% per annum. This interest is retained by Stevens County.

Taxes levied to finance the budget are made available to the City of Hugoton, Kansas after the first of the year and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January. Delinquent tax collections are distributed annually.

Note 3: Operating Transfers

Operating Transfers:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Statutory Authority</u>
Water System Fund	Water Equipment Replacement Fund I	\$ 10,414	KSA 12-825d
Water System Fund	Water Equipment Replacement Fund II	6,000	KSA 12-825d
Sanitation System Fund	Sanitation Equipment Replacement Fund	48,100	KSA 12-825d
Electric System Fund	Bond & Interest Fund	169,877	
Electric System Fund	Electric Equipment Replacement Fund	278,991	
Sewer System Fund	Bond & Interest Fund	2,240	
Water System Fund	Bond & Interest Fund	49,310	
General Fund	Special Street Machinery Fund	53,248	

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 4: Uncompensated Absences

Absence from Work

All City employees who are employed on a daily or hourly basis shall not be paid for time lost or for being absent from work. (Ord. 486, 1-503)

Vacations

Vacations for full-time City employees shall be allowed as follows:

- a. All employees shall be allowed two weeks paid vacation, or ten working days, after completing one complete year's service with the City.
- b. Three weeks, or 15 days, paid vacation shall be allowed to each employee completing 10 full years of service with the City.
- c. Four weeks, or 20 days, paid vacation shall be allowed after completing 20 years of service with the City.
- d. All City employees entitled to vacations as provided in (a), (b), or (c) of this section shall be required to take their vacations within the calendar year. No employee shall be paid additionally for working during his/her vacation time. The superintendent of municipal utilities shall approve the vacation times of all City employees under his/her supervision and control. Vacation times for all other City employees shall be subject to the approval of the governing body.
- e. No vacation time shall be allowed to any employee whose employment is terminated for any reason between the first and second anniversary dates of employment. (Ord. 486, 1-504)

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 5: Compensated Absences

Sick Leave

- a. Each full-time employee shall be allowed three-fourths day sick leave for every month of continuous employment. Such sick leave shall be accumulative from year to year to a maximum of 90 days. Such accumulation shall not apply to probationary employees, as defined in section 1-503 until the six-months probationary period has expired, at which time such employee shall be credited with four and one-half days sick leave.
- b. No sick leave exceeding two days shall be allowed unless, upon request, the employee furnishes to his/her immediate supervisor within 24 hours after he/she returns to work a written statement from a physician; certifying that his/her illness prevented the employee from working and that the employee is physically able to return to work.
- c. Any employee receiving sick leave time preceding and/or following any holiday or weekend may be required at the request of his/her supervisor, to furnish a written statement from a physician certifying that his/her sickness prevented the employee from working.
- d. An employee shall be required to take a complete physical examination and to furnish written report thereof to his/her immediate supervisor following any serious accident or serious illness.
- e. An employee who has exhausted all earned sick leave may, subject to authorization from his/her immediate supervisor, use any unused vacation time during an illness. (Ord. 486, 1-507)

Note 6: Contingent Liability

Upon the retirement or death of an employee, he/she or his/her estate shall be entitled to compensation for any unused sick leave time, computed on the basis of 100 percent from the anniversary date of his/her employment and not on the basis of the calendar year. (Ord. 486, 1-507). The potential liability at December 31, 2010 was \$265,200.

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 7: Defined Benefit Pension Plan

The City of Hugoton, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by KSA 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. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

KSA 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired before July 1, 2009 and 6% for all employees hired after July 1, 2009. 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 rates established by statute for the calendar years 2010, 2009 and 2008 were 6.14%, 5.54% and 4.93%, respectively. The City of Hugoton, Kansas contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$158,302, \$129,305 and \$121,475, respectively, equal to the statutory required contributions for each year.

Note 8: Compliance with Kansas Statutes

Contrary to the provisions of KSA 10-1117 and KSA 79-2934, the City Clerk did not maintain a formal encumbrance record or an unencumbered budget balance record.

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 9: Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the City of Hugoton. The statute requires banks eligible to hold the City of Hugoton's funds have a main or branch bank in the county in which the City of Hugoton 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. The City of Hugoton has no other policies that would further limit interest rate risk.

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

Concentration of Credit Risk – State statutes place no limit on the amount the City of Hugoton 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 of Hugoton's deposits may not be returned to it. State statutes require the City of Hugoton'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%. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the City of Hugoton's carrying amount of deposits was \$6,228,565 and the bank balance was \$6,731,621. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$750,000 was covered by federal depository insurance, \$5,981,621 was collateralized with securities held by the pledging financial institutions' agents in the City of Hugoton's name.

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 9: Deposits and Investments (Continued)

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 of Hugoton 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.

Note 10: Fund Balances – Designated for Subsequent Year's Budget

Actual cash carryover was not sufficient for the following funds:

	<u>2010</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>2011 Budgeted</u> <u>Unencumbered</u> <u>Cash Carryover</u>
Special Highway Fund	\$ 24,143	\$ 51,200
City Hall Remodeling Fund	-	8,456
Convention and Tourism Fund	20,088	25,925
Shop With a Cop	566	1,995
Streetscape Improvement Fund	38,559	75,150
Golf Course Expansion Fund	246,008	296,150
Animal Care Benevolence	5,334	5,851

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 11: Long-Term Debt

Changes in long-term liabilities for the City for the year ended December 31, 2010 are as follows:

<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>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds:										
Series 03	1.75-3.75%	07/30/03	\$1,530,000	10/01/13	\$ 680,000	\$ -	\$160,000	\$ (160,000)	\$ 520,000	\$ 20,663
Series 08	3.20-4.00%	09/22/08	425,000	10/01/18	390,000	-	35,000	(35,000)	355,000	14,310
Kansas Department of Health & Environment										
	2.68%	05/25/05	2,955,000	09/01/26	1,322,620	-	62,345	(62,345)	1,260,275	35,031
Temporary Notes:										
Series B 2010	0.75%	06/23/10	440,000	06/23/11	-	440,000	-	-	440,000	-
Series A 2010	0.50%	03/01/10	1,270,000	03/01/11	-	1,270,000	-	-	1,270,000	-
Capital Leases:										
City Hall	3.50%	01/26/04	182,500	04/01/14	90,564	-	18,921	(18,921)	71,643	3,006
Backhoe	5.20%	06/16/06	59,867	02/01/11	25,093	-	12,228	(12,228)	12,865	1,305
Mower	5.20%	08/17/06	39,498	02/01/11	16,749	-	8,150	(8,150)	8,599	921
Police cars	3.65%	04/06/07	41,197	04/06/10	14,227	-	14,227	(14,227)	-	519
Sewer machine	3.88%	07/11/08	259,325	01/11/13	<u>186,683</u>	<u>-</u>	<u>50,805</u>	<u>(50,805)</u>	<u>135,878</u>	<u>6,747</u>
Total Long-Term Debt					<u>\$2,725,936</u>	<u>\$1,710,000</u>	<u>\$361,676</u>	<u>\$ (361,676)</u>	<u>\$4,074,260</u>	<u>\$ 82,502</u>

CITY OF HUGOTON, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

(Continued)

Note 11: Long-Term Debt (Continued)

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2025</u>	<u>2026-2028</u>	<u>Total</u>
Principal:									
General obligation bonds	\$ 210,000	\$210,000	\$220,000	\$ 45,000	\$ 45,000	\$145,000	\$ -	\$ -	\$ 875,000
Temporary notes	1,710,000	-	-	-	-	-	-	-	1,710,000
Capital leases	93,844	75,139	49,226	10,776	-	-	-	-	228,985
KDHE	<u>64,027</u>	<u>65,755</u>	<u>67,529</u>	<u>69,351</u>	<u>71,222</u>	<u>385,991</u>	<u>440,946</u>	<u>95,454</u>	<u>1,260,275</u>
Total principal	<u>\$2,077,871</u>	<u>\$350,894</u>	<u>\$336,755</u>	<u>\$125,127</u>	<u>\$116,222</u>	<u>\$530,991</u>	<u>\$440,946</u>	<u>\$ 95,454</u>	<u>\$4,074,260</u>
Interest:									
General obligation bonds	\$ 29,173	\$ 22,472	\$ 15,560	\$ 8,390	\$ 6,950	\$ 11,145	\$ -	\$ -	\$ 93,690
Temporary notes	9,650	-	-	-	-	-	-	-	9,650
Capital leases	8,238	4,339	1,477	189	-	-	-	-	14,243
KDHE	<u>33,349</u>	<u>31,622</u>	<u>29,848</u>	<u>28,026</u>	<u>26,155</u>	<u>100,893</u>	<u>45,937</u>	<u>1,923</u>	<u>297,753</u>
Total interest	<u>\$ 80,410</u>	<u>\$ 58,433</u>	<u>\$ 46,885</u>	<u>\$ 36,605</u>	<u>\$ 33,105</u>	<u>\$112,038</u>	<u>\$ 45,937</u>	<u>\$ 1,923</u>	<u>\$ 415,336</u>
Total Principal and Interest	<u>\$2,158,281</u>	<u>\$409,327</u>	<u>\$383,640</u>	<u>\$161,732</u>	<u>\$149,327</u>	<u>\$643,029</u>	<u>\$486,883</u>	<u>\$ 97,377</u>	<u>\$4,489,596</u>

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

The City Council
City of Hugoton, Kansas

Compliance

We have audited the City of Hugoton, Kansas' compliance 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, 2010. The City of Hugoton, Kansas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of the City of Hugoton's management. Our responsibility is to express an opinion on the City of Hugoton'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 Kansas Municipal Audit Guide; 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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about the City of Hugoton'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 of Hugoton's compliance with those requirements.

In our opinion, the City of Hugoton, Kansas complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the City of Hugoton, Kansas is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City of Hugoton'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 of Hugoton's internal control over compliance.

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

Our consideration of 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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2010-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Hugoton's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Hugoton's responses and, accordingly, we express no opinion on the responses.

The City Council
City of Hugoton, Kansas

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This report is intended solely for the information and use of the audit committee, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hay•Rice & Associates, Chartered

May 31, 2011

CITY OF HUGOTON, KANSAS

Schedule 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2010

<u>Federal Grantor/Pass Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation Federal Aviation Administration Passed through Kansas Department of Transportation: City of Hugoton Transportation Enhancement Project – ARRA	20.205	<u>\$980,969</u>
Total Expenditures of Federal Awards		<u>\$980,969</u>

CITY OF HUGOTON, KANSAS

NOTE TO SCHEDULE 1

December 31, 2010

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hugoton, Kansas under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the City of Hugoton, Kansas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Hugoton, Kansas.

Expenditures are prepared on a cash disbursement basis adjusted for beginning and ending payables and encumbrances.

CITY OF HUGOTON, KANSAS

Schedule 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the statutory basis financial statements of the City of Hugoton, Kansas.
2. There was one significant deficiency in internal control disclosed by the audit of the financial statements that was not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Hugoton, Kansas were disclosed during the audit.
4. There were no significant deficiencies relating to the audit of the major federal awards that were considered material weaknesses.
5. The auditor's report on compliance for the major federal award programs for the City of Hugoton, Kansas expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Hugoton, Kansas as reported in Part C. of this schedule.
7. The programs tested as major programs include:
 - City of Hugoton Transportation Enhancement Project CFDA 20.205
8. The threshold for determining type A and B programs was:
 - Type A – the larger of \$300,000 or 3% of total federal awards expended
 - Type B – any programs that do not meet type A criteria specified above
9. The City of Hugoton, Kansas was not determined to be a low-risk auditee.

CITY OF HUGOTON, KANSAS

Schedule 2
(Continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2010

(Continued)

B. FINDINGS – FINANCIAL STATEMENTS

Significant Deficiencies

2010-1. Encumbrance and Unencumbered Cash Records

Condition: Contrary to the provisions of K.S.A. 10-117 and K.S.A. 79-2934, encumbrance and unencumbered cash records were not maintained.

Criteria: Procedures should be in place to record encumbrances so that unencumbered cash will be reflected accurately.

Cause: The cost of implementing a purchase order system has been prohibitive.

Effect: Because encumbrances are not recorded unencumbered cash could be overstated.

Recommendation: The City should consider implementing a purchase order system.

Response: The City will evaluate the cost versus the benefit of implementing a purchase order system.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT

None.

CITY OF HUGOTON, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended December 31, 2010

There were no audit findings relating to federal award programs in the prior years audit.