

CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENTS

Year ended December 31, 2004

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CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENTS
Year ended December 31, 2004

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Mayor and City Council
City of Tonganoxie, Kansas

We have audited the accompanying primary government financial statements of the City of Tonganoxie, Kansas (the City), as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Tonganoxie, Kansas. Our responsibility is to express an opinion on these financial statements based on our audit.

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

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The primary government financial statements referred to above do not include the financial data of component units of the City of Tonganoxie, Kansas as of December 31, 2004.

As described in Note 1, the City of Tonganoxie, Kansas prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the omission of the financial data of component units of the City of Tonganoxie, Kansas, and, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Tonganoxie, Kansas, as of December 31, 2004, or the respective changes in financial position for the year then ended.

Also, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Tonganoxie, Kansas, as of December 31, 2004, and its cash receipts and expenditures, for the year then ended on the basis of accounting described in Note 1.

Lowenthal, Singleton, Webb & Wilson

Professional Association

March 14, 2005

CITY OF TONGANOXIE, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For the year ended December 31, 2004

<u>Funds</u>	<u>Beginning Unencumbered Cash Balances</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add: Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General	\$ 234,348	\$ -	\$ 1,254,029	\$ 1,027,609	\$ 460,768	\$ 12,219	\$ 472,987
Special Revenue Funds:							
Special Parks and Recreation	15,021	-	6,149	4,359	16,811	-	16,811
Special Highway	402,186	-	1,222,801	1,300,363	324,624	-	324,624
Library	-	-	167,964	167,964	-	-	-
Employee Benefit	15,908	-	304,086	266,387	53,607	-	53,607
Fire Dept Equipment Reserve	71,772	-	72,062	62,631	81,203	-	81,203
Police Department Equipment Reserve	-	-	11,230	5,507	5,723	-	5,723
Law Enforcement Trust	2,704	-	210	-	2,914	-	2,914
Transient Guest Tax	2,682	-	1,066	3,268	480	-	480
Debt Service Fund:							
Bond and Interest	34,599	-	145,526	103,757	76,368	-	76,368
Capital Project	172,005	-	236,847	122,945	285,907	785	286,692
Enterprise Funds:							
Water	579,169	-	699,694	613,116	665,747	345	666,092
Sewer	418,289	-	3,452,844	3,271,559	599,574	3,498	603,072
Sanitation	11,944	-	145,114	122,260	34,798	10,429	45,227
Totals	<u>\$ 1,960,627</u>	<u>\$ -</u>	<u>\$ 7,719,622</u>	<u>\$ 7,071,725</u>	<u>\$ 2,608,524</u>	<u>\$ 27,276</u>	<u>\$ 2,635,800</u>

Composition of Cash:

First State Bank & Trust of Tonganoxie, Kansas

General checking	\$ 2,635,826
Municipal court account	6,281
Water meter deposit account	2,752
Payroll account	23
Revolving loan	40,529

Total Cash 2,685,412

Less: Agency Funds per Statement 3, 15 of 15 [49,612]

Total Reporting Entity (Excluding Agency Funds) \$ 2,635,800

STATEMENT 2

CITY OF TONGANOXIE, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
For the year ended December 31, 2004

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Positive [Negative]</u>
General	\$ 1,138,599	\$ -	\$ 1,138,599	\$ 1,027,609	\$ 110,990
Special Revenue Funds:					
Special Parks and Recreation	12,000	-	12,000	4,359	7,641
Special Highway	306,067	1,065,000	1,371,067	1,300,363	70,704
Library	171,681	-	171,681	167,964	3,717
Employee Benefit	310,626	-	310,626	266,387	44,239
Fire Department Equipment	81,703	-	81,703	62,631	19,072
Law Enforcement Trust	3,504	-	3,504	-	3,504
Transient Guest Tax	3,500	-	3,500	3,268	232
Debt Service Fund:					
Bond and Interest	130,149	-	130,149	103,757	26,392
Capital Project Fund	216,730	-	216,730	122,945	93,785
Enterprise Funds:					
Water	3,114,436	-	3,114,436	613,116	2,501,320
Sewer	5,120,932	-	5,120,932	3,271,559	1,849,373
Sanitation	180,000	-	180,000	122,260	57,740

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

CITY OF TONGANOXIE, KANSAS
GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the year ended December 31, 2004
(With comparative actual amounts for the year ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 418,250	\$ 539,769	\$ 421,890	\$ 117,879
Intergovernmental	371,828	448,826	458,787	[9,961]
Licenses and permits	148,125	108,548	83,720	24,828
Fines and fees	110,504	90,794	84,000	6,794
Use of money and property	20,809	32,940	27,277	5,663
Charges for services	36,070	30,805	38,750	[7,945]
Miscellaneous	11,684	2,347	3,413	[1,066]
Total Cash Receipts	<u>1,117,270</u>	<u>1,254,029</u>	<u>\$ 1,117,837</u>	<u>\$ 136,192</u>
Expenditures and Transfers Subject to Budget				
General government	77,063	106,353	\$ 107,308	\$ 955
Administration	165,835	176,455	228,524	52,069
Police department	370,823	363,284	400,075	36,791
Fire department	111,807	125,567	143,999	18,432
Highway and streets	157,552	180,101	190,125	10,024
Swimming pool	57,018	52,750	61,841	9,091
Equipment reserve	3,565	12,582	-	[12,582]
Animal control	4,845	4,562	6,727	2,165
Court and legal department	9,225	5,955	-	[5,955]
Total Expenditures and Transfers Subject to Budget	<u>957,733</u>	<u>1,027,609</u>	<u>\$ 1,138,599</u>	<u>\$ 110,990</u>
Excess [deficiency] of revenues over [under] expenditures	159,537	226,420		
Unencumbered Cash, Beginning	<u>74,811</u>	<u>234,348</u>		
Unencumbered Cash, Ending	<u>\$ 234,348</u>	<u>\$ 460,768</u>		

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

CITY OF TONGANOXIE, KANSAS
SPECIAL PARKS AND RECREATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the year ended December 31, 2004
(With comparative actual amounts for the year ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 6,679	\$ 6,149	\$ 7,000	\$ [851]
Total Cash Receipts	<u>6,679</u>	<u>6,149</u>	<u>\$ 7,000</u>	<u>\$ [851]</u>
Expenditures and Transfers Subject to Budget				
Culture and recreation				
Contractual services	<u>971</u>	<u>4,359</u>	<u>\$ 12,000</u>	<u>\$ 7,641</u>
Total Expenditures and Transfers Subject to Budget	<u>971</u>	<u>4,359</u>	<u>\$ 12,000</u>	<u>\$ 7,641</u>
Excess [deficiency] of revenues over [under] expenditures	5,708	1,790		
Unencumbered Cash, Beginning	<u>9,313</u>	<u>15,021</u>		
Unencumbered Cash, Ending	<u>\$ 15,021</u>	<u>\$ 16,811</u>		

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

CITY OF TONGANOXIE, KANSAS
SPECIAL HIGHWAY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the year ended December 31, 2004
(With comparative actual amounts for the year ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 180,028	\$ 157,801	\$ 141,260	\$ 16,541
Bond proceeds	-	1,065,000	-	1,065,000
Total Cash Receipts	<u>180,028</u>	<u>1,222,801</u>	<u>\$ 141,260</u>	<u>\$ 1,081,541</u>
Expenditures and Transfers Subject to Budget				
Public works	420,146	252,136	\$ 306,067	\$ 53,931
Debt service	-	1,048,227	-	[1,048,227]
Adjustment for qualifying budget credit	-	-	1,065,000	1,065,000
Total Expenditures and Transfers Subject to Budget	<u>420,146</u>	<u>1,300,363</u>	<u>\$ 1,371,067</u>	<u>\$ 70,704</u>
Excess [deficiency] of revenues over [under] expenditures	[240,118]	[77,562]		
Unencumbered Cash, Beginning	<u>642,304</u>	<u>402,186</u>		
Unencumbered Cash, Ending	<u>\$ 402,186</u>	<u>\$ 324,624</u>		

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

CITY OF TONGANOXIE, KANSAS
LIBRARY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the year ended December 31, 2004
(With comparative actual amounts for the year ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 150,339	\$ 167,964	\$ 170,590	\$ [2,626]
Total Cash Receipts	<u>150,339</u>	<u>167,964</u>	<u>\$ 170,590</u>	<u>\$ [2,626]</u>
Expenditures and Transfers Subject to Budget				
Appropriation	<u>151,430</u>	<u>167,964</u>	<u>\$ 171,681</u>	<u>\$ 3,717</u>
Total Expenditures and Transfers Subject to Budget	<u>151,430</u>	<u>167,964</u>	<u>\$ 171,681</u>	<u>\$ 3,717</u>
Excess [deficiency] of revenues over [under] expenditures	[1,091]	-		
Unencumbered Cash, Beginning	<u>1,091</u>	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

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

CITY OF TONGANOXIE, KANSAS
EMPLOYEE BENEFIT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the year ended December 31, 2004
(With comparative actual amounts for the year ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 183,126	\$ 201,333	\$ 201,378	\$ [45]
Miscellaneous	11,595	12,772	19,216	[6,444]
Transfers in	<u>65,344</u>	<u>89,981</u>	<u>89,981</u>	<u>-</u>
Total Cash Receipts	<u>260,065</u>	<u>304,086</u>	<u>\$ 310,575</u>	<u>\$ [6,489]</u>
Expenditures and Transfers Subject to Budget				
General government				
Personal services	<u>244,208</u>	<u>266,387</u>	<u>\$ 310,626</u>	<u>\$ 44,239</u>
Total Expenditures and Transfers Subject to Budget	<u>244,208</u>	<u>266,387</u>	<u>\$ 310,626</u>	<u>\$ 44,239</u>
Excess [deficiency] of revenues over [under] expenditures	15,857	37,699		
Unencumbered Cash, Beginning	<u>51</u>	<u>15,908</u>		
Unencumbered Cash, Ending	<u>\$ 15,908</u>	<u>\$ 53,607</u>		

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

CITY OF TONGANOXIE, KANSAS
FIRE DEPARTMENT EQUIPMENT RESERVE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the year ended December 31, 2004
(With comparative actual amounts for the year ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Fines and Fees	\$ 70,124	\$ 72,062	\$ 61,000	\$ 11,062
Total Cash Receipts	<u>70,124</u>	<u>72,062</u>	<u>\$ 61,000</u>	<u>\$ 11,062</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>45,612</u>	<u>62,631</u>	<u>\$ 81,703</u>	<u>\$ 19,072</u>
Total Expenditures and Transfers Subject to Budget	<u>45,612</u>	<u>62,631</u>	<u>\$ 81,703</u>	<u>\$ 19,072</u>
Excess [deficiency] of revenues over [under] expenditures	24,512	9,431		
Unencumbered Cash, Beginning	<u>47,260</u>	<u>71,772</u>		
Unencumbered Cash, Ending	<u>\$ 71,772</u>	<u>\$ 81,203</u>		

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

CITY OF TONGANOXIE, KANSAS
POLICE DEPARTMENT EQUIPMENT RESERVE FUND*

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
For the year ended December 31, 2004

Cash Receipts	
Fines and Fees	\$ 2,890
Transfer in	<u>8,340</u>
Total Cash Receipts	<u>11,230</u>
Expenditures and Transfers Subject to Budget	
Capital outlay	<u>5,507</u>
Total Expenditures and Transfers Subject to Budget	<u>5,507</u>
Excess [deficiency] of revenues over [under] expenditures	5,723
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 5,723</u>

* - This fund is not required to be budgeted.

CITY OF TONGANOXIE, KANSAS
LAW ENFORCEMENT TRUST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the year ended December 31, 2004
(With comparative actual amounts for the year ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Grants	\$ -	\$ 210	\$ 3,000	\$ [2,790]
Total Cash Receipts	-	210	\$ 3,000	\$ [2,790]
Expenditures and Transfers Subject to Budget				
Grant expenditures	-	-	\$ 3,504	\$ 3,504
Total Expenditures and Transfers Subject to Budget	-	-	\$ 3,504	\$ 3,504
Excess [deficiency] of revenues over [under] expenditures	-	210		
Unencumbered Cash, Beginning	<u>2,704</u>	<u>2,704</u>		
Unencumbered Cash, Ending	<u>\$ 2,704</u>	<u>\$ 2,914</u>		

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

CITY OF TONGANOXIE, KANSAS
TRANSIENT GUEST TAX FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the year ended December 31, 2004
(With comparative actual amounts for the year ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 1,231	\$ 1,066	\$ 1,200	\$ [134]
Total Cash Receipts	<u>1,231</u>	<u>1,066</u>	<u>\$ 1,200</u>	<u>\$ [134]</u>
Expenditures and Transfers Not Subject to Budget				
Contractual services	<u>-</u>	<u>3,268</u>	<u>\$ 3,500</u>	<u>\$ 232</u>
Total Expenditures and Transfers Not Subject to Budget	<u>-</u>	<u>3,268</u>	<u>\$ 3,500</u>	<u>\$ 232</u>
Excess [deficiency] of revenues over [under] expenditures	1,231	[2,202]		
Unencumbered Cash, Beginning	<u>1,451</u>	<u>2,682</u>		
Unencumbered Cash, Ending	<u>\$ 2,682</u>	<u>\$ 480</u>		

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

CITY OF TONGANOXIE, KANSAS
BOND AND INTEREST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the year ended December 31, 2004
(With comparative actual amounts for the year ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 143,228	\$ 113,996	\$ 94,763	\$ 19,233
Transfers in	27,793	31,530	31,530	-
Total Cash Receipts	<u>171,021</u>	<u>145,526</u>	<u>\$ 126,293</u>	<u>\$ 19,233</u>
Expenditures and Transfers Subject to Budget				
Debt service				
Principal	119,622	71,702	\$ 96,000	\$ 24,298
Interest and other charges	<u>32,055</u>	<u>32,055</u>	<u>34,149</u>	<u>2,094</u>
Total Expenditures and Transfers Subject to Budget	<u>151,677</u>	<u>103,757</u>	<u>\$ 130,149</u>	<u>\$ 26,392</u>
Excess [deficiency] of revenues over [under] expenditures	19,344	41,769		
Unencumbered Cash, Beginning	<u>15,255</u>	<u>34,599</u>		
Unencumbered Cash, Ending	<u>\$ 34,599</u>	<u>\$ 76,368</u>		

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

CITY OF TONGANOXIE, KANSAS
CAPITAL PROJECT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the year ended December 31, 2004
(With comparative actual amounts for the year ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 230,357	\$ 218,647	\$ 182,000	\$ 36,647
Transfers in	<u>18,200</u>	<u>18,200</u>	<u>-</u>	<u>18,200</u>
Total Cash Receipts	<u>248,557</u>	<u>236,847</u>	<u>\$ 182,000</u>	<u>\$ 54,847</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	85,793	46,726	\$ 156,000	\$ 109,274
Debt service	21,022	18,149	11,000	[7,149]
Transfers out	<u>45,993</u>	<u>58,070</u>	<u>49,730</u>	<u>[8,340]</u>
Total Expenditures and Transfers Subject to Budget	<u>152,808</u>	<u>122,945</u>	<u>\$ 216,730</u>	<u>\$ 93,785</u>
Excess [deficiency] of revenues over [under] expenditures	95,749	113,902		
Unencumbered Cash, Beginning	<u>76,256</u>	<u>172,005</u>		
Unencumbered Cash, Ending	<u>\$ 172,005</u>	<u>\$ 285,907</u>		

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

CITY OF TONGANOXIE, KANSAS
WATER FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the year ended December 31, 2004
(With comparative actual amounts for the year ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 708,498	\$ 699,594	\$ 476,423	\$ 223,171
Special assessments	-	-	154,926	[154,926]
Bond proceeds	-	-	2,500,000	[2,500,000]
Use of money and property	18,485	100	-	100
Transfers in	<u>105</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Receipts	<u>727,088</u>	<u>699,694</u>	<u>\$ 3,131,349</u>	<u>\$[2,431,655]</u>
Expenditures and Transfers Subject to Budget				
Production and distribution	362,941	389,073	\$ 363,535	\$ [25,538]
Debt service	152,550	147,671	170,876	23,205
Capital outlay	16,425	16,347	2,520,000	2,503,653
Transfers out	<u>18,575</u>	<u>60,025</u>	<u>60,025</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>550,491</u>	<u>613,116</u>	<u>\$ 3,114,436</u>	<u>\$ 2,501,320</u>
Excess [deficiency] of revenues over [under] expenditures	176,597	86,578		
Unencumbered Cash, Beginning	<u>402,572</u>	<u>579,169</u>		
Unencumbered Cash, Ending	<u>\$ 579,169</u>	<u>\$ 665,747</u>		

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

CITY OF TONGANOXIE, KANSAS
SEWER FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the year ended December 31, 2004
(With comparative actual amounts for the year ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 577,764	\$ 543,502	\$ 440,500	\$ 103,002
Taxes	6,355	6,085	-	6,085
Intergovernmental	-	-	400,000	[400,000]
Miscellaneous	-	318,895	4,750	314,145
Loan proceeds	-	2,584,362	4,000,000	[1,415,638]
Total Cash Receipts	<u>584,119</u>	<u>3,452,844</u>	<u>\$ 4,845,250</u>	<u>\$[1,392,406]</u>
Expenditures and Transfers Subject to Budget				
General and administrative	-	24,977	\$ -	\$ [24,977]
Plant operating costs	167,463	169,409	205,175	35,766
Capital outlay	238,716	2,953,738	4,800,000	1,846,262
Debt service	85,801	93,479	85,801	[7,678]
Transfers out	46,874	29,956	29,956	-
Total Expenditures and Transfers Subject to Budget	<u>538,854</u>	<u>3,271,559</u>	<u>\$ 5,120,932</u>	<u>\$ 1,849,373</u>
Excess [deficiency] of revenues over [under] expenditures	45,265	181,285		
Unencumbered Cash, Beginning	<u>373,024</u>	<u>418,289</u>		
Unencumbered Cash, Ending	<u>\$ 418,289</u>	<u>\$ 599,574</u>		

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

CITY OF TONGANOXIE, KANSAS
SANITATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the year ended December 31, 2004
(With comparative actual amounts for the year ended December 31, 2003)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 119,151	\$ 145,114	\$ 171,234	\$ [26,120]
Total Cash Receipts	<u>119,151</u>	<u>145,114</u>	<u>\$ 171,234</u>	<u>\$ [26,120]</u>
Expenditures and Transfers Subject to Budget				
Contractual services	<u>119,128</u>	<u>122,260</u>	<u>\$ 180,000</u>	<u>\$ 57,740</u>
Total Expenditures and Transfers Subject to Budget	<u>119,128</u>	<u>122,260</u>	<u>\$ 180,000</u>	<u>\$ 57,740</u>
Excess [deficiency] of revenues over [under] expenditures	23	22,854		
Unencumbered Cash, Beginning	<u>11,921</u>	<u>11,944</u>		
Unencumbered Cash, Ending	<u>\$ 11,944</u>	<u>\$ 34,798</u>		

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

CITY OF TONGANOXIE, KANSAS
AGENCY FUNDS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL ONLY

For the year ended December 31, 2004

	Balance December 31, <u>2003</u>	<u>Receipts</u>	<u>Expenditures</u>	Balance December 31, <u>2004</u>
Payroll clearing	\$ 543	851,857	852,351	\$ 49
Municipal court	4,166	109,766	107,651	6,281
Revolving loan	29,153	11,376	-	40,529
Meter deposits	1,731	17,406	16,384	2,752
Insurance	-	21,465	21,465	-
	<u>-</u>	<u>21,465</u>	<u>21,465</u>	<u>-</u>
Total	<u>\$ 35,593</u>	<u>\$ 1,011,870</u>	<u>\$ 997,851</u>	<u>\$ 49,612</u>

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

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Tonganoxie, Kansas (the City), is a municipal corporation governed by an elected mayor and five-member council. These financial statements present the City (the primary government) and exclude all component units of which the City appointed a voting majority of the unit's board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. The financial statements of the City consist only of the funds of the primary government.

Component Unit That Is Not Presented

The Tonganoxie Public Library (Library) serves the citizens within the City's jurisdiction. Acquisition or disposition of real property by the Library must be approved by the City. Bond issues must be approved by the City. The Library is not included in this report of the primary government. Financial statements for the Library may be obtained at the Library, Tonganoxie, Kansas.

Basis of Accounting

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

Departure from Accounting Principles Generally Accepted in the United States of America (GAAP)

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 expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Fixed assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

The City has obtained a GAAP waiver from accounting principles generally accepted in the United States of America which allows the municipality to use the prescribed basis of accounting.

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's cash resources and the related liabilities (other than those in the proprietary funds) are accounted for through governmental funds. The measurement focus is based upon changes in current financial resources.

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

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

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

Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). Principal sources of revenue are municipal long-term debt proceeds, special assessments and interest income.

Proprietary Fund Types

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

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

Fiduciary Fund Types

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the City holds for others in an agency capacity.

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

The statutes allow for the city council 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 2004 budget was not amended.

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

All legal annual operating budgets are prepared using the 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 City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, agency funds, and certain special revenue funds.

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

NOTE 2 - Deposits

At year-end the carrying amount of the City's deposits was \$2,685,412, and the bank balance was \$2,246,478. The difference between the carrying amount and the bank balance is outstanding checks, deposits in transit and cash on hand. Of the bank balance, \$100,000 was covered by FDIC insurance. The remaining balance of \$2,146,478 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name. The third party bank holding the pledged securities was the agent of the City.

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 3 - Interfund Transactions

Transfers were as follows:

	<u>From</u>	<u>To</u>
Water Fund	\$ 60,025	\$ -
Sewer Fund	29,956	-
Bond and Interest Fund	-	31,530
Employee Benefit Fund	-	89,981
Capital Project Fund	58,070	18,200
Police Department Equipment Reserve	-	8,340
	<u>\$ 148,051</u>	<u>\$ 148,051</u>

NOTE 4 - Retirement Plans

Plan Description. The City participates in the Kansas Public Employees Retirement System ("KPERS"), a cost - sharing multiple - employer defined benefit pension plan as provided by K.S.A. 74-4901. et seq. 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 South Kansas, Suite 100; Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate was 3.22% from January 1 to June 30, 2004 and 3.82% from July 1 to December 31, 2004. The employer contributions to KPERS for the years ending December 31, 2004, 2003 and 2002 were \$23,572, \$19,706, and \$17,210 respectively, equal to the required contributions for each year.

NOTE 5 - Compensated Absences

It is the City's policy to permit employees to earn non-cumulative vacation at different intervals based on length of service. Sick leave accrues at 12 days per year and accumulates to a maximum of 90 days. No liability is reported for unpaid accumulated sick leave.

NOTE 6 - Long-term Debt and Notes Payable

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary funds if they are expected to be repaid from proprietary fund revenues.

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 6 - Long-term Debt and Notes Payable (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Library Project Ser. 1989	9/1/89	12/1/04	6.15 - 7.75%	\$ 350,000
Fire Truck Ser. 1995	6/12/95	10/1/05	4.1 - 5.1%	255,000
Road Improvements Ser. 1999	6/21/99	10/1/09	4.1 - 5.1%	10,280
General Improvements Ser. 2004	6/15/04	9/1/14	3.25 - 4.3%	1,065,000
Downtown Revitalization Ser. 2000	12/01/00	9/1/21	4.85 - 6.50%	630,000
Total				<u>\$ 2,310,280</u>

Following is a summary of changes in long-term debt for the year ended December 31, 2004:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Library Project Ser. 1989	\$ 35,000	\$ -	\$ 35,000	\$ -
Fire Truck Ser. 1995	55,000	-	55,000	-
Road Improvements Ser. 1999	6,000	-	1,000	5,000
General Improvements Ser. 2004	-	1,065,000	-	1,065,000
Downtown Revitalization Ser. 2000	525,000	-	35,000	490,000
Total	<u>\$ 621,000</u>	<u>\$ 1,065,000</u>	<u>\$ 126,000</u>	<u>\$ 1,560,000</u>

The annual debt service requirements to maturity for the general obligation bonds to be paid with tax levies:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2005	\$ 66,000	\$ 74,957	\$ 140,957
2006	166,000	63,102	229,102
2007	136,000	55,949	191,949
2008	181,000	50,518	231,518
2009	186,000	43,438	229,438
2010 - 2014	750,000	114,047	864,047
2015 - 2019	50,000	15,736	65,736
2019 - 2021	25,000	2,300	27,300
Totals	<u>\$ 1,560,000</u>	<u>\$ 420,047</u>	<u>\$ 1,980,047</u>

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 6 - Long-term Debt and Notes Payable (Continued)

Temporary Notes. The City also issues temporary notes to fund construction of infrastructure, pending permanent financing.

Following is a summary of changes in long-term debt for the year ended December 31, 2004

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Street and Highway Improvement	\$ 925,000	\$ -	\$ 925,000	\$ -

Enterprise Fund General Obligation Bonds. Bonds of this type outstanding at year end are as follows:

<u>Purpose</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Water and Sewer Improvement	12/01/02	12/1/16	3.5 - 4.5%	\$ 1,510,000
Total				\$ 1,510,000

Following is a summary of changes in long-term debt for the year ended December 31, 2004

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Water and Sewer Improvement	\$ 1,355,000	\$ -	\$ 85,000	\$ 1,270,000
Total	\$ 1,355,000	\$ -	\$ 85,000	\$ 1,270,000

Bond debt service requirements to maturity:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2005	\$ 85,000	\$ 50,299	\$ 135,299
2006	85,000	47,323	132,323
2007	90,000	44,349	134,349
2008	95,000	41,199	136,199
2009	100,000	37,969	137,969
2010 - 2014	555,000	128,993	683,993
2015 - 2019	260,000	17,650	277,650
Totals	\$ 1,270,000	\$ 367,782	\$ 1,637,782

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 6 - Long-term Debt and Notes Payable (Continued)

Notes Payable. The City has entered into loan agreements with the Kansas Department of Health and Environment for sewer improvements. The City will repay these loans over a 20 year period ending in September of 2013. The gross interest rates being charged on these loans range from 3.34% to 4.03%. Of this, .25% is a service fee.

Following is a summary of changes in revolving loan for the year ended December 31, 2004:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
KDHE Revolving Loan	\$ 650,482	\$ -	\$ 61,928	\$ 588,554

Required payments are as follows as of December 31, 2004:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2005	\$ 64,188	\$ 20,172	\$ 84,360
2006	66,599	17,922	84,521
2007	69,101	15,589	84,690
2008	71,698	13,167	84,865
2009	74,393	10,652	85,045
2010-2013	<u>242,575</u>	<u>16,355</u>	<u>258,930</u>
Totals	\$ 588,554	\$ 93,857	\$ 682,411

In 2003, the City authorized the execution of a \$3,810,079 loan with the Kansas Department of Health and Environment for the construction of a new sewer plant. The City will repay these loans over a 20 year period ending in March of 2026. The gross interest rates being charged on these loans are 3.08%. Of this, .25% is a service fee.

Following is a summary of changes in revolving loan for the year ended December 31, 2004:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
KDHE Revolving Loan	\$ -	\$ 2,584,362	\$ -	\$ 2,584,362

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 6 - Long-term Debt and Notes Payable (Continued)

Required payments are as follows on the total balance projected to be borrowed as of December 31, 2004:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2006	\$ 33,909	\$ 107,588	\$ 141,497
2007	34,961	106,620	141,581
2008	36,047	105,623	141,670
2009	37,164	104,595	141,759
2010-2013	<u>3,667,998</u>	<u>1,091,605</u>	<u>4,759,603</u>
Totals	<u>\$ 3,810,079</u>	<u>\$ 1,516,031</u>	<u>\$ 5,326,110</u>

On June 15, 2004, the City issued \$1,065,000 in refunding general obligation bonds with interest ranging from 3.25 to 4.30% to advance refund \$55,000 of 1995 general obligation bonds with interest rates ranging from 4.1 to 5.1%. The transactions resulted in an economic loss of \$139 and reductions of \$1,241 in future debt payments.

NOTE 7 - Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Rescue Pumper	5.3%	\$ 152,287
Ford Fire Truck	5.0%	45,900
Sweeper	5.1%	<u>78,500</u>
Totals		<u>\$ 276,687</u>

Following is a summary of changes in leases for the year ended December 31, 2004:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Rescue Pumper	\$ 79,547	\$ -	\$ 17,387	\$ 62,160
Ford Truck	43,674	-	3,978	39,696
Sweeper	<u>17,519</u>	<u>-</u>	<u>17,519</u>	<u>-</u>
Totals	<u>\$ 140,740</u>	<u>\$ -</u>	<u>\$ 38,884</u>	<u>\$ 101,856</u>

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 7 – Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2004, were as follows:

Year Ending <u>December 31,</u>	Payment <u>Due</u>
2005	\$ 27,869
2006	27,869
2007	31,995
2008	6,166
2009	6,166
2010-2012	<u>18,293</u>
Total minimum lease payments	118,357
Less: amount representing interest	<u>16,500</u>
Present value of minimum lease payments	<u>\$ 101,856</u>

NOTE 8 - Water Purchase Contract

The City has water purchase contracts with Public Wholesale Water Supply District No. 6 of Tonganoxie, Kansas. The contracts require the City to make minimum monthly payments. The contract requires minimum monthly payments for a term of 20 years beginning in 1997. The City's payment is approximately \$15,600 per year.

NOTE 9 - Lease Purchase Agreement - Contingent Liability

The City has entered into a lease purchase agreement with Energy and Environmental Systems, Inc. (leasee) for the Perka building. The City originally acquired the building under a separate lease purchase agreement with the First State Bank & Trust (bank) of Tonganoxie, Kansas in 1995. The leasing arrangement is for the leasee to continue the payments as set forth in the original lease agreement the City had with the bank, with ownership transferring upon paying off the balance of the lease. In addition, the leasee paid a down payment of \$90,000 to acquire the property. The terms of the agreement call for monthly payments of \$2,687 with an interest rate of 6.25%. In the event the leasee defaults, the City is responsible to pay the balance left on the lease.

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2004

NOTE 9 - Lease Purchase Agreement - Contingent Liability (Continued)

The future minimum lease payments the leasee is obligated to pay the bank are as follows:

Year Ending <u>December 31,</u>	Payment <u>Due</u>
2005	\$ 32,256
2006	32,256
2007	32,256
2008	32,256
2009	32,256
2010-2012	<u>83,688</u>
Total minimum lease payments	244,968
Less: amount representing interest	<u>50,330</u>
Present value of minimum lease payments	<u>\$ 194,638</u>

NOTE 10 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.