

CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENTS

Year ended December 31, 2008

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CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENTS
Year ended December 31, 2008

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i
FINANCIAL SECTION	
Independent Auditor's Report on the Financial Statements	1 - 2
STATEMENT 1	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	3
STATEMENT 2	
Summary of Expenditures - Actual and Budget	4
STATEMENT 3	
Statement of Cash Receipts and Expenditures - Actual and Budget and Actual only	
General Fund	5
Special Parks and Recreation Fund	6
Special Highway Fund	7
Library Fund	8
Employee Benefit Fund	9
Fire Department Equipment Reserve Fund	10
Police Department Equipment Reserve Fund	11
Law Enforcement Trust Fund	12
Transient Guest Tax Fund	13
Bond and Interest Fund	14
Capital Project Fund	15
Water Fund	16
Sewer Fund	17
Sanitation Fund	18
Agency Funds	19
Notes to the Financial Statements	20 - 29

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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, 2008, 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. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2007. In our report dated August 11, 2008, on those financial statements, we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unqualified opinion as to presentation on the Kansas prescribed basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Audit Guide." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The primary government financial statements referred to above do not include the financial data of component units of the City of Tonganoxie, Kansas as of December 31, 2008.

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, 2008, 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 fund cash and unencumbered cash balances of the City of Tonganoxie, Kansas, as of December 31, 2008, and its cash receipts and expenditures by fund, and fund budget to actual comparisons, for the year then ended, taken as a whole, on the prescribed basis of accounting described in Note 1.

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2007, from which such partial information was derived.

Lowenthal, Wett & Odummann, P.A.

September 14, 2009

STATEMENT 1

CITY OF TONGANOXIE, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For the year ended December 31, 2008

<u>Funds</u>	Restated Beginning Unencumbered Cash <u>Balances</u>	Prior Year Cancelled <u>Encumbrances</u>	Cash <u>Receipts</u>	<u>Expenditures</u>	Ending Unencumbered Cash <u>Balance</u>	Add: Outstanding Encumbrances and Accounts <u>Payable</u>	Ending Cash <u>Balance</u>
General	\$ 961,829	\$ -	\$ 1,636,078	\$ 1,746,124	\$ 851,784	\$ 31,493	\$ 883,277
Special Revenue Funds:							
Special Parks and Recreation	21,308	-	7,784	15,561	13,531	-	13,531
Special Highway	1,283,658	-	169,986	1,059,826	393,818	-	393,818
Library	-	-	267,814	267,814	-	-	-
Employee Benefit	64,693	-	468,890	457,385	76,198	-	76,198
Fire Department Equipment Reserve	107,255	-	48,790	54,370	101,675	-	101,675
Police Department Equipment Reserve	6,972	-	7,170	3,099	11,043	-	11,043
Law Enforcement Trust	2,251	-	9	-	2,260	-	2,260
Transient Guest Tax	4,059	-	793	100	4,752	-	4,752
Debt Service Fund:							
Bond and Interest	329,095	-	712,191	288,409	752,877	-	752,877
Capital Project	3,355,182	-	1,971,065	5,218,012	108,235	60,546	168,781
Enterprise Funds:							
Water	634,323	-	1,274,650	1,412,393	496,580	5,157	501,737
Sewer	660,641	-	1,035,170	624,383	1,071,428	4,829	1,076,257
Sanitation	<u>37,711</u>	<u>-</u>	<u>284,103</u>	<u>287,386</u>	<u>34,428</u>	<u>22,341</u>	<u>56,769</u>
Totals	<u>\$ 7,468,977</u>	<u>\$ -</u>	<u>\$ 7,884,493</u>	<u>\$ 11,434,862</u>	<u>\$ 3,918,608</u>	<u>\$ 124,366</u>	<u>\$ 4,042,974</u>

Composition of Cash:

First State Bank & Trust of Tonganoxie, Kansas	
General checking	\$ 4,048,463
Revolving loan	<u>24,688</u>
Total Cash	4,073,152
Less: Agency Funds per Statement 3, 15 of 15	<u>[30,178]</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 4,042,974</u>

CITY OF TONGANOXIE, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
For the year ended December 31, 2008

<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	\$ 1,857,888	\$ -	\$ 1,857,888	\$ 1,746,124	\$ 111,764
Special Revenue Funds:					
Special Parks and Recreation	16,000	-	16,000	15,561	439
Special Highway	2,336,342	-	2,336,342	1,059,826	1,276,516
Library	283,453	-	283,453	267,814	15,639
Employee Benefit	490,772	-	490,772	457,385	33,387
Fire Department Equipment Reserve	74,370	-	74,370	54,370	20,000
Police Department Equipment Reserve	5,000	-	5,000	3,099	1,901
Law Enforcement Trust	1,000	-	1,000	-	1,000
Transient Guest Tax	1,400	-	1,400	100	1,300
Debt Service Fund:					
Bond and Interest	588,000	-	588,000	288,409	299,591
Capital Project Fund	5,376,397	-	5,376,397	5,218,012	158,385
Enterprise Funds:					
Water	3,695,685	-	3,695,685	1,412,393	2,283,292
Sewer	1,208,689	-	1,208,689	624,383	584,306
Sanitation	274,819	-	274,819	287,386	[12,567]

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, 2008

(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 439,265	\$ 594,543	\$ 413,449	\$ 181,094
Intergovernmental	518,727	562,871	725,773	[162,902]
Licenses and permits	93,770	58,707	64,825	[6,118]
Fines and fees	199,552	176,550	160,000	16,550
Use of money and property	213,953	105,922	141,600	[35,678]
Charges for services	31,682	77,759	78,000	[241]
Economic development	-	55,693	-	55,693
Miscellaneous	1,002	4,033	8,050	[4,017]
Total Cash Receipts	<u>1,497,951</u>	<u>1,636,078</u>	<u>\$ 1,591,697</u>	<u>\$ 44,381</u>
Expenditures and Transfers Subject to Budget				
General government	104,463	145,844	\$ 115,158	\$ [30,686]
Administration	256,122	282,149	336,901	54,752
Police department	552,489	602,887	631,101	28,214
Fire department	242,629	257,514	288,858	31,344
Highway and streets	326,691	297,682	317,709	20,027
Swimming pool	47,347	102,794	101,431	[1,363]
Equipment reserve	7,762	25,994	-	[25,994]
Contingency reserve	7,415	3,989	-	[3,989]
Animal control	9,319	10,952	10,400	[552]
Court and legal department	14,680	16,319	56,330	40,011
Miscellaneous	331	-	-	-
Total Expenditures and Transfers Subject to Budget	<u>1,569,248</u>	<u>1,746,124</u>	<u>\$ 1,857,888</u>	<u>\$ 111,764</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[71,297]</u>	<u>[110,046]</u>		
Unencumbered Cash, Beginning	1,046,977	961,829		
Prior period adjustment	<u>[13,851]</u>	<u>-</u>		
Unencumbered Cash, Restated	<u>1,033,126</u>	<u>961,829</u>		
Unencumbered Cash, Ending	<u>\$ 961,829</u>	<u>\$ 851,784</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, 2008

(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 2,842	\$ 7,784	\$ 6,700	\$ 1,084
Total Cash Receipts	<u>2,842</u>	<u>7,784</u>	<u>6,700</u>	<u>1,084</u>
Expenditures and Transfers Subject to Budget				
Culture and recreation				
Contractual services	<u>6,854</u>	<u>15,561</u>	<u>\$ 16,000</u>	<u>\$ 439</u>
Total Expenditures and Transfers Subject to Budget	<u>6,854</u>	<u>15,561</u>	<u>\$ 16,000</u>	<u>\$ 439</u>
Excess [deficiency] of revenues over [under] expenditures	[4,012]	[7,777]		
Unencumbered Cash, Beginning	<u>25,320</u>	<u>21,308</u>		
Unencumbered Cash, Ending	<u>\$ 21,308</u>	<u>\$ 13,531</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, 2008
(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 525,005	\$ 158,684	\$ 954,370	\$ [795,686]
Bond proceeds	<u>40,552</u>	<u>11,302</u>	<u>582,660</u>	<u>[571,358]</u>
Total Cash Receipts	<u>565,557</u>	<u>169,986</u>	<u>\$ 1,537,030</u>	<u>\$ [1,367,044]</u>
Expenditures and Transfers Subject to Budget				
Public works	763,089	1,027,670	\$ 2,336,342	\$ 1,308,672
Debt service	<u>64,313</u>	<u>32,156</u>	<u>-</u>	<u>[32,156]</u>
Total Expenditures and Transfers Subject to Budget	<u>827,402</u>	<u>1,059,826</u>	<u>\$ 2,336,342</u>	<u>\$ 1,276,516</u>
Excess [deficiency] of revenues over [under] expenditures	[261,845]	[889,840]		
Unencumbered Cash, Beginning	<u>1,545,503</u>	<u>1,283,658</u>		
Unencumbered Cash, Ending	<u>\$ 1,283,658</u>	<u>\$ 393,818</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, 2008

(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 222,906	\$ 267,814	\$ 283,453	\$ [15,639]
Total Cash Receipts	<u>222,906</u>	<u>267,814</u>	<u>\$ 283,453</u>	<u>\$ [15,639]</u>
Expenditures and Transfers Subject to Budget Appropriation	<u>222,906</u>	<u>267,814</u>	<u>\$ 283,453</u>	<u>\$ 15,639</u>
Total Expenditures and Transfers Subject to Budget	<u>222,906</u>	<u>267,814</u>	<u>\$ 283,453</u>	<u>\$ 15,639</u>
Excess [deficiency] of revenues over [under] expenditures	-	-		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</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, 2008

(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 290,149	\$ 332,270	\$ 345,320	\$ [13,050]
Miscellaneous	15,709	19,608	36,619	[17,011]
Transfers in	<u>112,321</u>	<u>117,012</u>	<u>117,012</u>	<u>-</u>
Total Cash Receipts	<u>418,179</u>	<u>468,890</u>	<u>\$ 498,951</u>	<u>\$ [30,061]</u>
Expenditures and Transfers Subject to Budget				
General government				
Personal services	<u>406,836</u>	<u>457,385</u>	<u>\$ 490,772</u>	<u>\$ 33,387</u>
Total Expenditures and Transfers Subject to Budget	<u>406,836</u>	<u>457,385</u>	<u>\$ 490,772</u>	<u>\$ 33,387</u>
Excess [deficiency] of revenues over [under] expenditures	11,343	11,505		
Unencumbered Cash, Beginning	<u>53,350</u>	<u>64,693</u>		
Unencumbered Cash, Ending	<u>\$ 64,693</u>	<u>\$ 76,198</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, 2008

(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Fines and fees	\$ 81,542	\$ 48,790	\$ 68,412	\$ [19,622]
Total Cash Receipts	<u>81,542</u>	<u>48,790</u>	<u>\$ 68,412</u>	<u>\$ [19,622]</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>69,422</u>	<u>54,370</u>	<u>\$ 74,370</u>	<u>\$ 20,000</u>
Total Expenditures and Transfers Subject to Budget	<u>69,422</u>	<u>54,370</u>	<u>\$ 74,370</u>	<u>\$ 20,000</u>
Excess [deficiency] of revenues over [under] expenditures	12,120	[5,580]		
Unencumbered Cash, Beginning	<u>95,135</u>	<u>107,255</u>		
Unencumbered Cash, Ending	<u>\$ 107,255</u>	<u>\$ 101,675</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 AND BUDGET
For the year ended December 31, 2008
(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Fines and fees	\$ 9,050	\$ 7,170	\$ 7,000	\$ 170
Total Cash Receipts	<u>9,050</u>	<u>7,170</u>	<u>\$ 7,000</u>	<u>\$ 170</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>6,023</u>	<u>3,099</u>	<u>\$ 5,000</u>	<u>\$ 1,901</u>
Total Expenditures and Transfers Subject to Budget	<u>6,023</u>	<u>3,099</u>	<u>\$ 5,000</u>	<u>\$ 1,901</u>
Excess [deficiency] of revenues over [under] expenditures	3,027	4,071		
Unencumbered Cash, Beginning	<u>3,945</u>	<u>6,972</u>		
Unencumbered Cash, Ending	<u>\$ 6,972</u>	<u>\$ 11,043</u>		

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

CITY OF TONGANOXIE, KANSAS
LAW ENFORCEMENT TRUST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET
For the year ended December 31, 2008
(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Grants	\$ 75	\$ 9	\$ 1,000	\$ [991]
Total Cash Receipts	<u>75</u>	<u>9</u>	<u>\$ 1,000</u>	<u>\$ [991]</u>
Expenditures and Transfers Subject to Budget				
Grant expenditures	<u>-</u>	<u>-</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>-</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Excess [deficiency] of revenues over [under] expenditures	75	9		
Unencumbered Cash, Beginning	<u>2,176</u>	<u>2,251</u>		
Unencumbered Cash, Ending	<u>\$ 2,251</u>	<u>\$ 2,260</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, 2008
(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 2,248	\$ 793	\$ 1,000	\$ [207]
Total Cash Receipts	<u>2,248</u>	<u>793</u>	<u>\$ 1,000</u>	<u>\$ [207]</u>
Expenditures and Transfers Not Subject to Budget				
Contractual services	<u>-</u>	<u>100</u>	<u>\$ 1,400</u>	<u>\$ 1,300</u>
Total Expenditures and Transfers Not Subject to Budget	<u>-</u>	<u>100</u>	<u>\$ 1,400</u>	<u>\$ 1,300</u>
Excess [deficiency] of revenues over [under] expenditures	2,248	693		
Unencumbered Cash, Beginning	<u>1,811</u>	<u>4,059</u>		
Unencumbered Cash, Ending	<u>\$ 4,059</u>	<u>\$ 4,752</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, 2008
(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 469,398	\$ 355,978	\$ 566,051	\$ [210,073]
Bond proceeds	-	356,213	-	356,213
Total Cash Receipts	<u>469,398</u>	<u>712,191</u>	<u>\$ 566,051</u>	<u>\$ 146,140</u>
Expenditures and Transfers Subject to Budget				
Debt service				
Principal	136,000	181,000	\$ 508,000	\$ 327,000
Interest and other charges	<u>56,006</u>	<u>107,409</u>	<u>80,000</u>	<u>[27,409]</u>
Total Expenditures and Transfers Subject to Budget	<u>192,006</u>	<u>288,409</u>	<u>\$ 588,000</u>	<u>\$ 299,591</u>
Excess [deficiency] of revenues over [under] expenditures	277,392	423,782		
Unencumbered Cash, Beginning	<u>51,703</u>	<u>329,095</u>		
Unencumbered Cash, Ending	<u>\$ 329,095</u>	<u>\$ 752,877</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, 2008
(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 280,571	\$ 297,770	\$ 613,259	\$ [315,489]
Bond proceeds	5,435,500	1,638,200	5,100,000	[3,461,800]
Use of money and property	1,352	-	-	-
Proceeds from sale	163	34,045	-	34,045
Miscellaneous	-	1,050	-	1,050
Total Cash Receipts	<u>5,717,586</u>	<u>1,971,065</u>	<u>\$ 5,713,259</u>	<u>\$ [3,742,194]</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>2,605,292</u>	<u>5,218,012</u>	<u>\$ 5,376,397</u>	<u>\$ 158,385</u>
Total Expenditures and Transfers Subject to Budget	<u>2,605,292</u>	<u>5,218,012</u>	<u>\$ 5,376,397</u>	<u>\$ 158,385</u>
Excess [deficiency] of revenues over [under] expenditures	3,112,294	[3,246,947]		
Unencumbered Cash, Beginning	<u>242,888</u>	<u>3,355,182</u>		
Unencumbered Cash, Ending	<u>\$ 3,355,182</u>	<u>\$ 108,235</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, 2008

(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 850,398	\$ 1,155,900	\$ 755,288	\$ 400,612
Special assessments	-	-	205,200	[205,200]
Bond proceeds	-	-	2,715,000	[2,715,000]
Transfer in	-	105,000	-	105,000
Miscellaneous	<u>4,677</u>	<u>13,750</u>	<u>35,000</u>	<u>[21,250]</u>
Total Cash Receipts	<u>855,075</u>	<u>1,274,650</u>	<u>\$ 3,710,488</u>	<u>\$ [2,435,838]</u>
Expenditures and Transfers Subject to Budget				
Production and distribution	529,724	693,256	\$ 602,685	\$ [90,571]
Debt service	197,604	415,146	200,000	[215,146]
Capital outlay	86,886	124,128	2,713,000	2,588,872
Transfers out	<u>70,536</u>	<u>179,863</u>	<u>180,000</u>	<u>137</u>
Total Expenditures and Transfers Subject to Budget	<u>884,750</u>	<u>1,412,393</u>	<u>\$ 3,695,685</u>	<u>\$ 2,283,292</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[29,675]</u>	<u>[137,743]</u>		
Unencumbered Cash, Beginning	667,542	634,323		
Prior period adjustment	<u>[3,544]</u>	<u>-</u>		
Unencumbered Cash, Restated	<u>663,998</u>	<u>634,323</u>		
Unencumbered Cash, Ending	<u>\$ 634,323</u>	<u>\$ 496,580</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, 2008
(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 659,209	\$ 574,823	\$ 695,000	\$ [120,177]
Loan draws	-	459,502	-	459,502
Miscellaneous	<u>1,446</u>	<u>845</u>	<u>600,000</u>	<u>[599,155]</u>
Total Cash Receipts	<u>660,655</u>	<u>1,035,170</u>	<u>\$ 1,295,000</u>	<u>\$ [259,830]</u>
Expenditures and Transfers Subject to Budget				
Plant operating costs	262,575	247,934	\$ 244,836	\$ [3,098]
Capital outlay	221,124	105,096	692,500	587,404
Debt service	236,801	236,801	236,801	-
Transfers out	<u>34,250</u>	<u>34,552</u>	<u>34,552</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>754,750</u>	<u>624,383</u>	<u>\$ 1,208,689</u>	<u>\$ 584,306</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[94,095]</u>	<u>410,787</u>		
Unencumbered Cash, Beginning	756,892	660,641		
Prior period adjustment	<u>[2,156]</u>	<u>-</u>		
Unencumbered Cash, Restated	<u>754,736</u>	<u>660,641</u>		
Unencumbered Cash, Ending	<u>\$ 660,641</u>	<u>\$ 1,071,428</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, 2008

(With comparative actual amounts for the year ended December 31, 2007)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 193,633	\$ 284,103	\$ 210,000	\$ 74,103
Total Cash Receipts	<u>193,633</u>	<u>284,103</u>	<u>\$ 210,000</u>	<u>\$ 74,103</u>
Expenditures and Transfers Subject to Budget				
Contractual services	185,302	279,789	\$ 267,222	\$ [12,567]
Transfer out	<u>7,535</u>	<u>7,597</u>	<u>7,597</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>192,837</u>	<u>287,386</u>	<u>\$ 274,819</u>	<u>\$ [12,567]</u>
Excess [deficiency] of revenues over [under] expenditures	<u>796</u>	<u>[3,283]</u>		
Unencumbered Cash, Beginning	37,360	37,711		
Prior period adjustment	<u>[445]</u>	<u>-</u>		
Unencumbered Cash, Restated	<u>36,915</u>	<u>37,711</u>		
Unencumbered Cash, Ending	<u>\$ 37,711</u>	<u>\$ 34,428</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, 2008

	Balance December 31, <u>2007</u>	<u>Receipts</u>	<u>Expenditures</u>	Balance December 31, <u>2008</u>
Payroll clearing	\$ 1,045	\$ 1,390,994	\$ 1,386,549	\$ 5,490
Revolving loan	<u>5,569</u>	<u>29,119</u>	<u>10,000</u>	<u>24,688</u>
Total	<u>\$ 6,614</u>	<u>\$ 1,420,113</u>	<u>\$ 1,396,549</u>	<u>\$ 30,178</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, 2008

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's office in 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. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

The City has a 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, 2008

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 cash and unencumbered cash.

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, 2008

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 2008 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 statutory basis of accounting, in which revenues are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

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

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

NOTE 2 - Deposits

The City's cash is considered to be active funds by management and is invested according to KSA 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county in which the City is located or in an adjacent county and the banks provide an acceptable rate for active funds.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk require that the depository banks will maintain 100% security in the form of FDIC coverage and pledged collateral according to KSA 9-1402.

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 3 - Interfund Transactions

Transfers were as follows:

	<u>From</u>	<u>To</u>
Water Fund	\$ 179,863	\$ 105,000
Sanitation Fund	7,597	-
Sewer Fund	34,552	-
Employee Benefit Fund	-	117,012
	<u>\$ 222,012</u>	<u>\$ 222,012</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 5.93% for the year ended December 31, 2008. The employer contributions to KPERS for the years ending December 31, 2008, 2007 and 2006 were \$72,301, \$59,089, and \$40,512 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. The liability for compensated vacation time at December 31, 2008 is \$37,815. 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, 2008

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, except for those of enterprise funds, currently outstanding are as follows:

<u>Purpose</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Road Improvements Ser. 1999	6/21/99	10/1/09	4.1 - 5.1%	\$ 10,280	\$ 1,000
General Improvements Ser. 2004	6/15/04	9/1/14	3.25 - 4.3%	1,065,000	760,000
Public Works Building Ser. 2007	10/15/07	9/1/22	3.55 - 3.95%	1,720,000	1,720,000
Swimming Pool and Water Park Ser. 2007	10/15/07	9/1/17	3.50 - 3.7%	2,990,000	2,865,000
Downtown Revitalization Ser. 2000	12/01/00	9/1/21	4.85 - 6.50%	630,000	250,000
Total				<u>\$ 6,415,280</u>	<u>\$ 5,596,000</u>

Following is a summary of changes in long-term debt for the year ended December 31, 2008:

<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>
Road Improvements Ser. 1999	\$ 2,000	\$ -	\$ 1,000	\$ 1,000
General Improvements Ser. 2004	870,000	-	110,000	760,000
Public Works Building Ser. 2007	1,720,000	-	-	1,720,000
Swimming Pool and Water Park Ser. 2007	2,990,000	-	125,000	2,865,000
Downtown Revitalization Ser. 2000	320,000	-	70,000	250,000
Total	<u>\$ 5,902,000</u>	<u>\$ -</u>	<u>\$ 306,000</u>	<u>\$ 5,596,000</u>

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 386,000	\$ 211,451	\$ 597,451
2010	465,000	196,802	661,802
2011	430,000	179,141	609,141
2012	465,000	163,373	628,373
2013	545,000	145,958	690,958
2014-2018	2,430,000	417,732	2,847,732
2019-2023	<u>875,000</u>	<u>88,607</u>	<u>963,607</u>
Totals	<u>\$ 5,596,000</u>	<u>\$ 1,403,064</u>	<u>\$ 6,999,064</u>

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

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. The Series 2005 Temporary Notes were issued on October 1, 2005, and mature on April 1, 2009. The interest rate for these notes is 3.75%. The Series 2008 Temporary Notes were issued December 15, 2008, and mature on December 15, 2012.

Following is a summary of changes in temporary notes for the year ended December 31, 2008:

<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>
Series 2008	\$ -	\$ 1,770,000	\$ -	\$ 1,770,000
Series 2005	<u>1,715,000</u>	<u>-</u>	<u>-</u>	<u>1,715,000</u>
Total	<u>\$ 1,715,000</u>	<u>\$ 1,770,000</u>	<u>\$ -</u>	<u>\$ 3,485,000</u>

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>	<u>Outstanding Amount</u>
South Water Tower	7/15/06	9/1/16	3.7 - 4.1%	\$ 370,000	\$ 310,000
Water and Sewer Improvement	12/01/02	12/1/16	3.5 - 4.5%	<u>1,510,000</u>	<u>915,000</u>
Total				<u>\$ 1,880,000</u>	<u>\$ 1,225,000</u>

Following is a summary of changes in enterprise fund general obligation bonds for the year ended December 31, 2008:

<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>
South Water Tower	\$ 340,000	\$ -	\$ 30,000	\$ 310,000
Water and Sewer Improvement	<u>1,010,000</u>	<u>-</u>	<u>95,000</u>	<u>915,000</u>
Total	<u>\$ 1,350,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 1,225,000</u>

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

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

Enterprise funds general obligation bonds debt service requirements to maturity:

Year ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	Total Debt <u>Service</u>
2009	\$ 135,000	\$ 50,304	\$ 185,304
2010	140,000	45,348	185,348
2011	140,000	39,933	179,933
2012	145,000	34,368	179,368
2013	155,000	28,475	183,475
2014-2018	<u>510,000</u>	<u>45,230</u>	<u>555,230</u>
Totals	<u>\$ 1,225,000</u>	<u>\$ 243,658</u>	<u>\$ 1,468,658</u>

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 the revolving loan for the year ended December 31, 2008:

<u>Type of Issue</u>	Beginning Principal <u>Outstanding</u>	Additions to <u>Principal</u>	Reductions of <u>Principal</u>	Ending Principal <u>Outstanding</u>
KDHE Revolving Loan	<u>\$ 388,463</u>	<u>\$ -</u>	<u>\$ 71,771</u>	<u>\$ 316,692</u>

Required payments are as follows as of December 31, 2008:

Year ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	Total Debt <u>Service</u>
2009	\$ 74,392	\$ 10,652	\$ 85,044
2010	77,190	8,044	85,234
2011	80,094	5,334	85,428
2012	62,110	2,522	64,632
2013	<u>22,906</u>	<u>456</u>	<u>23,362</u>
Totals	<u>\$ 316,692</u>	<u>\$ 27,008</u>	<u>\$ 343,700</u>

In 2003, the City authorized the execution of a \$4,167,392 loan with the Kansas Department of Health and Environment for the construction of a new sewer plant. The City will repay this loan 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.

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

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

Following is a summary of changes in the revolving loan for the year ended December 31, 2008:

<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	\$ 3,625,809	\$ 459,502	\$ 33,535	\$ 4,051,776

Required payments are as follows on the loan as of December 31, 2008:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 31,846	\$ 134,290	\$ 166,137
2010	32,835	133,382	166,217
2011	136,639	131,724	268,364
2012	140,880	127,828	268,708
2013	145,253	123,810	269,063
2014-2018	1,170,900	541,283	1,712,183
2019-2023	2,060,778	321,969	2,382,747
2024-2026	332,644	25,688	358,332
Totals	\$ 4,051,776	\$ 1,539,975	\$ 5,591,751

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.

Following is a summary of changes in leases for the year ended December 31, 2008:

<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>
Video Equipment	\$ 30,923	\$ -	\$ 15,685	\$ 15,238
2008 Crown Victoria (2)	-	55,530	8,763	46,767
Chevy Impala (3)	26,643	-	26,643	-
Fire Trucks (2)	360,982	-	30,489	330,493
Ford Fire Truck	26,318	-	4,837	21,481
Totals	\$ 444,866	\$ 55,530	\$ 86,417	\$ 413,979

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

NOTE 7 - Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2008, were as follows:

Year Ending December 31,	Payment Due
2009	\$ 90,600
2010	74,318
2011	64,344
2012	53,957
2013	48,204
2014 - 2017	<u>168,714</u>
Total minimum lease payments	500,137
Less: amount representing interest	<u>86,158</u>
Present value of minimum lease payments	<u>\$ 413,979</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. (lessee) 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 lessee 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 lessee 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 lessee defaults, the City is responsible to pay the balance left on the lease.

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Payment</u> <u>Due</u>
2009	\$ 32,256
2010	32,256
2011	32,256
2012	<u>8,848</u>
Total minimum lease payments	105,616
Less: amount representing interest	<u>12,341</u>
Present value of minimum lease payments	<u>\$ 93,275</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.

NOTE 11 - Statutory Violations

Actual exceeded budgeted expenditures in the Sanitation, Special Parks and Recreation and Library Funds, which violates KSA 79-2935.

NOTE 12 – Recreation Commission COP's

The City has entered into an Interlocal agreement with the Tonganoxie Recreation Commission to open a line of credit in the amount of \$600,000. The recreation commission is assuming these payments as part of a lease purchase agreement with the city. This debt has been issued to purchase land for the construction of athletic facilities. The following is a summary of the changes in the line of credit for 2008:

<u>Type of Issue</u>	<u>Beginning</u> <u>Principal</u> <u>Outstanding</u>	<u>Additions</u> <u>to</u> <u>Principal</u>	<u>Reductions</u> <u>of</u> <u>Principal</u>	<u>Ending</u> <u>Principal</u> <u>Outstanding</u>
Tonganoxie Recreation Lease	\$ -	\$ 224,413	\$ 35,965	\$ 188,448

As of December 31, 2008, the total available line of credit remaining is \$375,587.

NOTE 13 - Subsequent Event

On March 10, 2009 the City issued General Obligation Bonds 2009A in the amount of \$1,350,000 for certain traffic improvements and to refund previously issued temporary notes. The interest rate on the bonds is 2.80 to 4.75%. The final maturity on the bonds is September 1, 2029. In addition, on January 16, 2009 the city signed a 51 month agreement with First State Bank to lease fire equipment for \$40,000. The interest rate on the lease is 3.75% and the final maturity date is March 15, 2013.