

CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENTS

Year ended December 31, 2009

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CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENTS
Year ended December 31, 2009

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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, 2009, 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, 2008. In our report dated September 14, 2009, 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, 2009.

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, 2009, 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, 2009, 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, 2008, from which such partial information was derived.

Lowenthal, Wett & Odernann, P.A.

August 25, 2010

STATEMENT 1

CITY OF TONGANOXIE, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For the year ended December 31, 2009

<u>Funds</u>	<u>Restated 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	\$ 851,784	\$ -	\$ 1,519,648	\$ 2,020,148	\$ 351,284	\$ 35,005	\$ 386,289
Special Revenue Funds:							
Special Parks and Recreation	13,531	-	2,967	13,936	2,562	-	2,562
Special Highway	393,818	-	2,032,120	3,032,284	[606,346]	74,569	[531,777]
Library	-	-	268,388	268,388	-	-	-
Employee Benefit	76,198	-	538,874	498,048	117,024	-	117,024
Fire Department Equipment Reserve	101,675	-	77,478	72,102	107,051	-	107,051
Police Department Equipment Reserve	11,043	-	11,760	9,063	13,740	-	13,740
Law Enforcement Trust	2,260	-	750	-	3,010	-	3,010
Transient Guest Tax	4,752	-	4,431	4,000	5,183	-	5,183
Debt Service Fund:							
Bond and Interest	752,877	-	311,571	453,233	611,215	-	611,215
Capital Project	108,235	-	595,272	361,965	341,542	-	341,542
Enterprise Funds:							
Water	496,580	-	1,304,238	1,203,442	597,376	6,212	603,588
Sewer	1,071,428	-	548,389	860,739	759,078	6,802	765,880
Sanitation	34,428	-	300,689	298,240	36,877	22,833	59,710
Totals	\$ 3,918,609	\$ -	\$ 7,516,575	\$ 9,095,588	\$ 2,339,596	\$ 145,421	\$ 2,485,017

Composition of Cash:

First State Bank & Trust of Tonganoxie, Kansas	
General checking	\$ 2,430,965
Certificate of deposit	56,835
Revolving loan	62
Total Cash	2,487,863
Less: Agency Funds per Statement 3, 15 of 15	[2,846]
Total Reporting Entity (Excluding Agency Funds)	\$ 2,485,017

CITY OF TONGANOXIE, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
For the year ended December 31, 2009

<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	\$2,250,514	\$ -	\$ 2,250,514	\$ 2,020,148	\$ 230,366
Special Revenue Funds:					
Special Parks and Recreation	17,600	-	17,600	13,936	3,664
Special Highway	3,052,917	-	3,052,917	3,032,284	20,633
Library	316,939	-	316,939	268,388	48,551
Employee Benefit	628,900	-	628,900	498,048	130,852
Fire Department Equipment Reserve	86,370	-	86,370	72,102	14,268
Police Department Equipment Reserve	10,000	-	10,000	9,063	937
Law Enforcement Trust	2,100	-	2,100	-	2,100
Transient Guest Tax	4,000	-	4,000	4,000	-
Debt Service Fund:					
Bond and Interest	532,456	-	532,456	453,233	79,223
Capital Project Fund	1,652,857	-	1,652,857	361,965	1,290,892
Enterprise Funds:					
Water	5,885,362	-	5,885,362	1,203,442	4,681,920
Sewer	1,360,390	-	1,360,390	860,739	499,651
Sanitation	337,508	-	337,508	298,240	39,268

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, 2009

(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 594,543	\$ 644,135	\$ 456,351	\$ 187,784
Intergovernmental	562,871	494,626	753,300	[258,674]
Licenses and permits	58,707	36,668	54,925	[18,257]
Fines and fees	176,550	198,764	200,000	[1,236]
Use of money and property	105,922	24,421	201,600	[177,179]
Charges for services	77,759	114,561	78,000	36,561
Economic development	55,693	-	-	-
Miscellaneous	4,033	6,473	8,484	[2,011]
Total Cash Receipts	<u>1,636,078</u>	<u>1,519,648</u>	<u>\$ 1,752,660</u>	<u>\$ [233,012]</u>
Expenditures and Transfers Subject to Budget				
General government	145,843	147,320	\$ 97,592	\$ [49,728]
Administration	282,149	415,107	395,275	[19,832]
Police department	602,887	657,600	737,710	80,110
Fire department	257,514	243,986	347,925	103,939
Highway and streets	297,682	360,638	434,076	73,438
Swimming pool	102,794	138,474	105,344	[33,130]
Equipment reserve	25,994	7,301	-	[7,301]
Contingency reserve	3,989	6,717	-	[6,717]
Animal control	10,952	17,700	13,850	[3,850]
Court and legal department	16,319	23,555	117,073	93,518
Miscellaneous	-	1,750	1,669	[81]
Total Expenditures and Transfers Subject to Budget	<u>1,746,123</u>	<u>2,020,148</u>	<u>\$ 2,250,514</u>	<u>\$ 230,366</u>
Excess [deficiency] of revenues over [under] expenditures	[110,045]	[500,500]		
Unencumbered Cash, Beginning	<u>961,829</u>	<u>851,784</u>		
Unencumbered Cash, Ending	<u>\$ 851,784</u>	<u>\$ 351,284</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, 2009

(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 7,784	\$ 2,967	\$ 7,500	\$ [4,533]
Total Cash Receipts	<u>7,784</u>	<u>2,967</u>	<u>\$ 7,500</u>	<u>\$ [4,533]</u>
Expenditures and Transfers Subject to Budget				
Culture and recreation				
Contractual services	<u>15,561</u>	<u>13,936</u>	<u>\$ 17,600</u>	<u>\$ 3,664</u>
Total Expenditures and Transfers Subject to Budget	<u>15,561</u>	<u>13,936</u>	<u>\$ 17,600</u>	<u>\$ 3,664</u>
Excess [deficiency] of revenues over [under] expenditures	[7,777]	[10,969]		
Unencumbered Cash, Beginning	<u>21,308</u>	<u>13,531</u>		
Unencumbered Cash, Ending	<u>\$ 13,531</u>	<u>\$ 2,562</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, 2009

(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 158,684	\$ 704,779	\$ 149,588	\$ 555,191
Bond premium	-	2,612	-	2,612
Bond proceeds	<u>11,302</u>	<u>1,324,729</u>	<u>2,289,883</u>	<u>[965,154]</u>
Total Cash Receipts	<u>169,986</u>	<u>2,032,120</u>	<u>\$ 2,439,471</u>	<u>\$ [407,351]</u>
Expenditures and Transfers Subject to Budget				
Public works	1,027,670	1,300,368	\$ 3,052,917	\$ 1,752,549
Debt service	<u>32,156</u>	<u>1,731,916</u>	-	<u>[1,731,916]</u>
Total Expenditures and Transfers Subject to Budget	<u>1,059,826</u>	<u>3,032,284</u>	<u>\$ 3,052,917</u>	<u>\$ 20,633</u>
Excess [deficiency] of revenues over [under] expenditures	[889,840]	[1,000,164]		
Unencumbered Cash, Beginning	<u>1,283,658</u>	<u>393,818</u>		
Unencumbered Cash, Ending	<u>\$ 393,818</u>	<u>\$ [606,346]</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, 2009

(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 267,814	\$ 268,388	\$ 329,818	\$ [61,430]
Total Cash Receipts	<u>267,814</u>	<u>268,388</u>	<u>\$ 329,818</u>	<u>\$ [61,430]</u>
Expenditures and Transfers Subject to Budget				
Appropriation	267,814	268,388	\$ 315,822	\$ 47,434
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,117</u>	<u>1,117</u>
Total Expenditures and Transfers Subject to Budget	<u>267,814</u>	<u>268,388</u>	<u>\$ 316,939</u>	<u>\$ 48,551</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, 2009

(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 332,270	\$ 384,299	\$ 398,643	\$ [14,344]
Miscellaneous	19,608	27,995	50,000	[22,005]
Transfers in	<u>117,012</u>	<u>126,580</u>	<u>126,580</u>	<u>-</u>
Total Cash Receipts	<u>468,890</u>	<u>538,874</u>	<u>\$ 575,223</u>	<u>\$ [36,349]</u>
Expenditures and Transfers Subject to Budget				
General government				
Personal services	457,385	498,048	\$ 627,213	\$ 129,165
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,687</u>	<u>1,687</u>
Total Expenditures and Transfers Subject to Budget	<u>457,385</u>	<u>498,048</u>	<u>\$ 628,900</u>	<u>\$ 130,852</u>
Excess [deficiency] of revenues over [under] expenditures	11,505	40,826		
Unencumbered Cash, Beginning	<u>64,693</u>	<u>76,198</u>		
Unencumbered Cash, Ending	<u>\$ 76,198</u>	<u>\$ 117,024</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, 2009

(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Fines and fees	\$ 48,790	\$ 77,478	\$ 67,536	\$ 9,942
Total Cash Receipts	<u>48,790</u>	<u>77,478</u>	<u>\$ 67,536</u>	<u>\$ 9,942</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>54,370</u>	<u>72,102</u>	<u>\$ 86,370</u>	<u>\$ 14,268</u>
Total Expenditures and Transfers Subject to Budget	<u>54,370</u>	<u>72,102</u>	<u>\$ 86,370</u>	<u>\$ 14,268</u>
Excess [deficiency] of revenues over [under] expenditures	[5,580]	5,376		
Unencumbered Cash, Beginning	<u>107,255</u>	<u>101,675</u>		
Unencumbered Cash, Ending	<u>\$ 101,675</u>	<u>\$ 107,051</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, 2009
(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Fines and fees	\$ 7,170	\$ 11,760	\$ 7,000	\$ 4,760
Total Cash Receipts	<u>7,170</u>	<u>11,760</u>	<u>\$ 7,000</u>	<u>\$ 4,760</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>3,099</u>	<u>9,063</u>	<u>\$ 10,000</u>	<u>\$ 937</u>
Total Expenditures and Transfers Subject to Budget	<u>3,099</u>	<u>9,063</u>	<u>\$ 10,000</u>	<u>\$ 937</u>
Excess [deficiency] of revenues over [under] expenditures	4,071	2,697		
Unencumbered Cash, Beginning	<u>6,972</u>	<u>11,043</u>		
Unencumbered Cash, Ending	<u>\$ 11,043</u>	<u>\$ 13,740</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, 2009
(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Grants	\$ 9	\$ 750	\$ -	\$ 750
Total Cash Receipts	<u>9</u>	<u>750</u>	<u>\$ -</u>	<u>\$ 750</u>
Expenditures and Transfers Subject to Budget				
Grant expenditures	<u>-</u>	<u>-</u>	<u>\$ 2,100</u>	<u>\$ 2,100</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>-</u>	<u>\$ 2,100</u>	<u>\$ 2,100</u>
Excess [deficiency] of revenues over [under] expenditures	9	750		
Unencumbered Cash, Beginning	<u>2,251</u>	<u>2,260</u>		
Unencumbered Cash, Ending	<u>\$ 2,260</u>	<u>\$ 3,010</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, 2009
(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 793	\$ 4,431	\$ 1,000	\$ 3,431
Total Cash Receipts	<u>793</u>	<u>4,431</u>	<u>\$ 1,000</u>	<u>\$ 3,431</u>
Expenditures and Transfers Not Subject to Budget				
Contractual services	<u>100</u>	<u>4,000</u>	<u>\$ 4,000</u>	<u>\$ -</u>
Total Expenditures and Transfers Not Subject to Budget	<u>100</u>	<u>4,000</u>	<u>\$ 4,000</u>	<u>\$ -</u>
Excess [deficiency] of revenues over [under] expenditures	693	431		
Unencumbered Cash, Beginning	<u>4,059</u>	<u>4,752</u>		
Unencumbered Cash, Ending	<u>\$ 4,752</u>	<u>\$ 5,183</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, 2009
(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 355,978	\$ 286,300	\$ 271,292	\$ 15,008
Bond proceeds	<u>356,213</u>	<u>25,271</u>	<u>-</u>	<u>25,271</u>
Total Cash Receipts	<u>712,191</u>	<u>311,571</u>	<u>\$ 271,292</u>	<u>\$ 40,279</u>
Expenditures and Transfers Subject to Budget				
Debt service				
Principal	181,000	186,000	\$ 381,454	\$ 195,454
Interest and other charges	107,409	267,233	-	[267,233]
Reserves	-	-	100,000	100,000
Miscellaneous	<u>-</u>	<u>-</u>	<u>51,002</u>	<u>51,002</u>
Total Expenditures and Transfers Subject to Budget	<u>288,409</u>	<u>453,233</u>	<u>\$ 532,456</u>	<u>\$ 79,223</u>
Excess [deficiency] of revenues over [under] expenditures	423,782	[141,662]		
Unencumbered Cash, Beginning	<u>329,095</u>	<u>752,877</u>		
Unencumbered Cash, Ending	<u>\$ 752,877</u>	<u>\$ 611,215</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, 2009
(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 297,770	\$ 296,096	\$ 291,467	\$ 4,629
Bond proceeds	1,638,200	294,476	1,365,000	[1,070,524]
Proceeds from sale	34,045	4,700	-	4,700
Miscellaneous	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Receipts	<u>1,971,065</u>	<u>595,272</u>	<u>\$ 1,656,467</u>	<u>\$ [1,061,195]</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>5,218,012</u>	<u>361,965</u>	<u>\$ 1,652,857</u>	<u>\$ 1,290,892</u>
Total Expenditures and Transfers Subject to Budget	<u>5,218,012</u>	<u>361,965</u>	<u>\$ 1,652,857</u>	<u>\$ 1,290,892</u>
Excess [deficiency] of revenues over [under] expenditures	[3,246,947]	233,307		
Unencumbered Cash, Beginning	<u>3,355,182</u>	<u>108,235</u>		
Unencumbered Cash, Ending	<u>\$ 108,235</u>	<u>\$ 341,542</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, 2009

(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 1,155,900	\$ 1,189,238	\$ 669,700	\$ 519,538
Special assessments	-	-	215,460	[215,460]
Bond proceeds	-	-	5,015,000	[5,015,000]
Transfer in	105,000	100,000	-	100,000
Miscellaneous	13,750	15,000	25,000	[10,000]
Total Cash Receipts	1,274,650	1,304,238	\$ 5,925,160	\$ [4,620,922]
Expenditures and Transfers Subject to Budget				
Production and distribution	693,256	493,539	\$ 504,188	\$ 10,649
Debt service	415,146	504,211	307,467	[196,744]
Capital outlay	124,128	46,985	5,015,000	4,968,015
Transfers out	179,863	158,707	58,707	[100,000]
Total Expenditures and Transfers Subject to Budget	1,412,393	1,203,442	\$ 5,885,362	\$ 4,681,920
Excess [deficiency] of revenues over [under] expenditures	[137,743]	100,796		
Unencumbered Cash, Beginning	634,323	496,580		
Unencumbered Cash, Ending	\$ 496,580	\$ 597,376		

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, 2009
(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 574,823	\$ 548,389	\$ 598,350	\$ [49,961]
Loan draws	459,502	-	-	-
Miscellaneous	<u>845</u>	<u>-</u>	<u>628,042</u>	<u>[628,042]</u>
Total Cash Receipts	<u>1,035,170</u>	<u>548,389</u>	<u>\$ 1,226,392</u>	<u>\$ [678,003]</u>
Expenditures and Transfers Subject to Budget				
Plant operating costs	247,934	288,853	\$ 313,082	\$ 24,229
Capital outlay	105,096	249,079	751,042	501,963
Debt service	236,801	263,342	236,801	[26,541]
Transfers out	<u>34,552</u>	<u>59,465</u>	<u>59,465</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>624,383</u>	<u>860,739</u>	<u>\$ 1,360,390</u>	<u>\$ 499,651</u>
Excess [deficiency] of revenues over [under] expenditures	410,787	[312,350]		
Unencumbered Cash, Beginning	<u>660,641</u>	<u>1,071,428</u>		
Unencumbered Cash, Ending	<u>\$ 1,071,428</u>	<u>\$ 759,078</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, 2009

(With comparative actual amounts for the year ended December 31, 2008)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 284,103	\$ 300,689	\$ 340,000	\$ [39,311]
Total Cash Receipts	<u>284,103</u>	<u>300,689</u>	<u>\$ 340,000</u>	<u>\$ [39,311]</u>
Expenditures and Transfers Subject to Budget				
Contractual services	279,789	289,832	\$ 329,100	\$ 39,268
Transfer out	<u>7,597</u>	<u>8,408</u>	<u>8,408</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>287,386</u>	<u>298,240</u>	<u>\$ 337,508</u>	<u>\$ 39,268</u>
Excess [deficiency] of revenues over [under] expenditures	[3,283]	2,449		
Unencumbered Cash, Beginning	<u>37,711</u>	<u>34,428</u>		
Unencumbered Cash, Ending	<u>\$ 34,428</u>	<u>\$ 36,877</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, 2009

	Balance December 31, <u>2008</u>	<u>Receipts</u>	<u>Expenditures</u>	Balance December 31, <u>2009</u>
Payroll clearing	\$ 5,490	\$ 1,499,728	\$ 1,502,434	\$ 2,784
Revolving loan	<u>24,688</u>	<u>11,874</u>	<u>36,500</u>	<u>62</u>
Total	<u>\$ 30,178</u>	<u>\$ 1,511,602</u>	<u>\$ 1,538,934</u>	<u>\$ 2,846</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, 2009

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, 2009

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, 2009

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 2009 budget was amended for the Special Parks and Recreation Fund and the Special Highway Fund.

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, 2009

NOTE 3 - Interfund Transactions

Transfers were as follows:

	<u>From</u>	<u>To</u>
Water Fund	\$ 158,707	\$ 100,000
Sewer Fund	59,465	-
Sanitation Fund	8,408	-
Employee Benefit Fund	-	126,580
	<u>\$ 226,580</u>	<u>\$ 226,580</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 6.54% from January 1 to February 28, 2009 and 5.54% from March 1 to December 31, 2009. The employer contributions to KPERS for the years ending December 31, 2009, 2008 and 2007 were \$83,085, \$72,301, and \$59,089 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, 2009 is \$29,012. 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, 2009

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>
Improvements Ser. 2009	4/1/09	9/1/29	2.80 - 4.75%	\$ 1,350,000	\$ 1,350,000
General Improvements Ser. 2004	6/15/04	9/1/14	3.25 - 4.3%	1,065,000	645,000
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	2,665,000
Downtown Revitalization Ser. 2000	12/01/00	9/1/21	4.85 - 6.50%	630,000	180,000
Total				<u>\$ 7,755,000</u>	<u>\$ 6,560,000</u>

Following is a summary of changes in long-term debt for the year ended December 31, 2009:

<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	\$ 1,000	\$ -	\$ 1,000	\$ -
General Improvements Ser. 2004	760,000	-	115,000	645,000
Public Works Building Ser. 2007	1,720,000	-	-	1,720,000
Swimming Pool and Water Park Ser. 2007	2,865,000	-	200,000	2,665,000
Improvements Ser. 2009	-	1,350,000	-	1,350,000
Downtown Revitalization Ser. 2000	250,000	-	70,000	180,000
Total	<u>\$ 5,596,000</u>	<u>\$ 1,350,000</u>	<u>\$ 386,000</u>	<u>\$ 6,560,000</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>
2010	\$ 465,000	\$ 272,229	\$ 737,229
2011	480,000	232,383	712,383
2012	520,000	215,216	735,216
2013	600,000	196,261	796,261
2014	635,000	174,168	809,168
2015-2019	2,355,000	544,351	2,899,351
2020-2024	1,045,000	209,190	1,254,190
2025-2029	460,000	66,270	526,270
Totals	<u>\$ 6,560,000</u>	<u>\$ 1,910,067</u>	<u>\$ 8,470,067</u>

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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 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>	Beginning Principal <u>Outstanding</u>	Additions to <u>Principal</u>	Reductions of <u>Principal</u>	Ending Principal <u>Outstanding</u>
Series 2008	\$ 1,770,000	\$ -	\$ -	\$ 1,770,000
Series 2005	<u>1,715,000</u>	<u>-</u>	<u>1,715,000</u>	<u>-</u>
Total	<u>\$ 3,485,000</u>	<u>\$ -</u>	<u>\$ 1,715,000</u>	<u>\$ 1,770,000</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	\$ 275,000
Water and Sewer Improvement	12/01/02	12/1/16	3.5 - 4.5%	<u>1,510,000</u>	<u>815,000</u>
Total				<u>\$ 1,880,000</u>	<u>\$ 1,090,000</u>

Following is a summary of changes in enterprise fund general obligation bonds for the year ended December 31, 2009:

<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>
South Water Tower	\$ 310,000	\$ -	\$ 35,000	\$ 275,000
Water and Sewer Improvement	<u>915,000</u>	<u>-</u>	<u>100,000</u>	<u>815,000</u>
Total	<u>\$ 1,225,000</u>	<u>\$ -</u>	<u>\$ 135,000</u>	<u>\$ 1,090,000</u>

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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

Enterprise funds general obligation bonds debt service requirements to maturity:

Year ending December 31,	Principal	Interest	Total Debt Service
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	160,000	22,045	182,045
2015-2018	<u>350,000</u>	<u>23,185</u>	<u>373,185</u>
Totals	<u>\$ 1,090,000</u>	<u>\$ 193,353</u>	<u>\$ 1,283,353</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, 2009:

Type of Issue	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
KDHE Revolving Loan	<u>\$ 316,692</u>	<u>\$ -</u>	<u>\$ 74,006</u>	<u>\$ 242,686</u>

Required payments are as follows as of December 31, 2009:

Year ending December 31,	Principal	Interest	Total Debt Service
2010	\$ 77,190	\$ 8,044	\$ 85,234
2011	80,094	5,334	85,428
2012	62,110	2,522	64,632
2013	<u>23,292</u>	<u>456</u>	<u>23,748</u>
Totals	<u>\$ 242,686</u>	<u>\$ 16,356</u>	<u>\$ 259,042</u>

In 2003, the City authorized the execution of a \$4,862,372 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, 2009

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, 2009:

<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	<u>\$ 4,051,776</u>	<u>\$ 92,664</u>	<u>\$ 53,615</u>	<u>\$ 4,090,825</u>

Required payments, for entire amount of proceeds, are as follows on the loan as of December 31, 2009:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	149,761	119,668	269,429
2015-2019	1,328,165	507,043	1,835,208
2020-2024	2,262,857	262,231	2,525,088
2025-2026	<u>524,907</u>	<u>11,170</u>	<u>536,077</u>
Totals	<u>\$ 4,721,298</u>	<u>\$ 1,416,854</u>	<u>\$ 6,138,152</u>

In 2009, the City authorized the execution of two loans with the Kansas Department of Transportation for the completion of various street infrastructure projects. Total proceeds for the two loans will be \$214,893 and \$550,077, respectively. The City will repay the loans over a 20 year period ending in August of 2029. Debt service payments to maturity are not yet available as the City had not made any draws on the loans as of December 31, 2009.

In May 2010, The City issued Series 2010-A general obligation bonds in the amount of \$1,075,000. The bond proceeds will be used to fund various capital projects. The City will make the first payment on bonds in March 2011 and the interest rate on those bonds is 2.85%.

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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, 2009:

<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	\$ 15,238	\$ -	\$ 15,238	\$ -
2008 Crown Victoria (2)	46,767	-	18,104	28,663
27 V Force Coats	-	40,000	8,837	31,163
Fire Trucks (2)	330,493	-	32,082	298,411
Ford Fire Truck	21,481	-	5,079	16,402
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	\$ 413,979	\$ 40,000	\$ 79,340	\$ 374,639

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2009, were as follows:

<u>Year Ending December 31,</u>	<u>Payment Due</u>
2010	\$ 84,061
2011	74,087
2012	63,700
2013	52,487
2014	48,204
2014 - 2017	<u>120,511</u>
Total minimum lease payments	443,049
Less: amount representing interest	<u>68,410</u>
Present value of minimum lease payments	<u>\$ 374,639</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.

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

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.

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>
2010	\$ 32,256
2011	32,256
2012	<u>8,848</u>
Total minimum lease payments	73,360
Less: amount representing interest	<u>6,617</u>
Present value of minimum lease payments	<u>\$ 66,743</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

The Special Highway Fund has negative unencumbered cash at December 31, 2009 which is a violation of K.S.A. 10-1113.

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 2009:

<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	\$ 188,448	\$ 294,476	\$ 64,190	\$ 418,734

As of December 31, 2009, the total available line of credit remaining is \$81,111.