

**CITY OF TONGANOXIE, KANSAS**

**FINANCIAL STATEMENTS**

**Year ended December 31, 2013**

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CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENTS  
Year ended December 31, 2013

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CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENTS  
Year ended December 31, 2013

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## INDEPENDENT AUDITOR'S REPORT

Mayor and City Council  
City of Tonganoxie, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Tonganoxie, Kansas (the City), as of and for the year ended December 31, 2013 and the related notes to the financial statement. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2012. In our report dated June 3, 2013, on those financial statements, we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unmodified opinion as to presentation on the Kansas regulatory basis of accounting.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1 of the financial statement, the financial statement is prepared by the City to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### *Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2013, or changes in financial position and cash flows thereof for the year then ended.

#### *Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2013, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide 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, 2012, from which such partial information was derived.

#### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget and the summary of receipts and disbursements-agency funds (Schedules 1, 2, and 3) as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mike Houser: Company PA*

Certified Public Accountants  
Lawrence, Kansas  
June 26, 2014

CITY OF TONGANOXIE, KANSAS  
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
For the year ended December 31, 2013

<u>Funds</u>	Restated Beginning Unencumbered Cash <u>Balances</u>	Prior Year <u>Adjustment</u>	<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>
Governmental Fund Types:							
General Fund:							
General	\$ 264,072	\$ -	\$ 1,852,831	\$ 1,726,520	\$ 390,383	\$ 58,888	\$ 449,271
Special Purpose Funds:							
Special Parks and Recreation	6,070	-	5,144	-	11,214	-	11,214
Special Highway	179,800	-	152,365	123,848	208,317	-	208,317
Library	-	-	313,802	313,802	-	-	-
Employee Benefit	92,912	-	514,564	607,476	-	-	-
Fire Department Equipment Reserve	310,135	-	222,296	422,186	110,245	5,423	115,668
Police Department Equipment Reserve	24,143	-	52,181	58,843	17,481	-	17,481
Law Enforcement Trust	16,491	-	2,411	2,467	16,435	-	16,435
Transient Guest Tax	4,775	-	415	1,000	4,190	-	4,190
Water Park Sales Tax	32,760	-	349,639	381,480	919	-	919
Debt Service Fund:							
Bond and Interest	32,181	-	792,972	661,658	163,495	-	163,495
Capital Debt 2013A	-	-	1,779,965	1,779,965	-	-	-
Capital Debt 2013B	-	-	6,749,958	6,749,958	-	-	-
Capital Project Funds:							
Capital Project Fund	352,747	-	612,381	875,917	89,211	167,495	256,706
Capital Reserve Fund	23,533	-	-	22,868	665	-	665
Business Funds:							
Water	640,064	-	955,927	1,367,318	228,673	20,062	248,735
Water Capital	174,777	-	478,115	166,528	486,364	79	486,443
Sewer	103,755	-	563,093	551,025	115,823	2,922	118,745
Sewer Capital	304,914	-	26,145	75,839	255,220	-	255,220
Sanitation	27,469	-	319,325	306,544	40,250	22,941	63,191
Total Reporting Entity	<u>\$ 2,590,598</u>	<u>\$ -</u>	<u>\$ 15,743,529</u>	<u>\$ 16,195,242</u>	<u>\$ 2,138,885</u>	<u>\$ 277,810</u>	<u>\$ 2,416,695</u>

Composition of Cash:

First State Bank & Trust of Tonganoxie, Kansas	
General checking	\$ 933,589
Certificate of deposit	59,121
Revolving loan	27,075
Kansas Municipal Investment Pool	<u>1,437,198</u>
Total Cash	2,456,983
Less: Agency Funds per Schedule 3	<u>[40,288]</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 2,416,695</u>

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

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 related municipal entities 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.

Related Municipal Entity 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

*Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.* The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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



CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Regulatory Basis Fund Types

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

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

The following types of funds comprise the financial activities of the City for the year ended December 31, 2013:

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipts sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Projects Fund - used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Fund - funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.)

Agency Fund - funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business 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.

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

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 2013 budget was amended for the Sewer, Employee Benefit and Library Funds.

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 regulatory receipts 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 purpose funds as follows: Police Department Equipment Reserve Fund, Fire Department Equipment Reserve Fund, Law Enforcement Trust Fund, and the Water Park Sales Tax Fund.

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 and Investments

*Deposits.* K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

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

Some of the City's investments are of bond proceeds invested pursuant to K.S.A. 10-131. This statute allows additional investment authority beyond that of K.S.A. 12-1675. Investments of bond proceeds may follow K.S.A. 12-1675 or include other investments such as the KMIP, direct obligations of the US government or any agency thereof, investment agreements with a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's investors service or Standard and Poor's corporation, and various other investments as specified in K.S.A. 10-131.

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

NOTE 2 – Deposits and Investments (Continued)

At December 31, 2013, the City has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	Maturity		
			Less Than <u>5 Years</u>	5 - 10 <u>Years</u>	10 - 15 <u>Years</u>
Kansas Municipal Investment Pool	\$ <u>1,437,198</u>	S&P AA+/S1+	\$ 1,437,198	\$ -	\$ -

The Kansas Municipal Investment Pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The fair value of the City's position in the municipal investment pool is substantially the same as the value of the pool shares.

*Concentration of credit risk.* State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has no designated "peak periods". All deposits were legally secured at December 31, 2013.

At December 31, 2013, the City's carrying amount of deposits was \$1,019,785 and the bank balance was \$1,133,529. The investment balance was \$1,437,198. The bank balance of deposits was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance, and the balance of \$883,529 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

NOTE 3 - Interfund Transactions

Transfers during the year ended December 31, 2013, were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Statutory Authority</u>
Employee Benefit Fund	General Fund	\$ 101,691	Fund close out
Water Fund	Employee Benefit Fund	65,000	K.S.A. 12-16,102
Sewer Fund	Employee Benefit Fund	20,000	K.S.A. 12-16,102
Sanitation Fund	Employee Benefit Fund	10,445	K.S.A. 12-16,102
Capital Debt 2013A Fund	Bond and Interest Fund	6,742	Bond ordinance
Capital Debt 2013B Fund	Bond and Interest Fund	1,088	Bond ordinance
Water Park Sales Tax Fund	Bond and Interest Fund	381,480	Bond ordinance
Bond and Interest Fund	Capital Debt 2013B Fund	11,019	Bond ordinance
Water Fund	Capital Debt 2013B Fund	74,292	K.S.A. 12-825d
Sewer Fund	Capital Debt 2013B Fund	120,123	K.S.A. 12-825d
Water Fund	Water Capital Fund	457,600	K.S.A. 12-825d
Sewer Fund	Sewer Capital Fund	13,770	K.S.A. 12-825d
		<u>\$ 1,263,250</u>	

NOTE 4 - Retirement Plans

*Plan Description.* The City participates in the Kansas Public Employees Retirement System (KPERS). KPERS is a part of a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

*Funding Policy* - K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The employer contributions to KPERS for years ending December 31, 2013, 2012 and 2011 were \$104,510, \$100,569 and \$98,822 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, 2013 is \$63,179. 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.

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

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.

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

<u>Issue</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Paid by taxes					
Series 2000	12/1/2000	9/1/2021	4.85 - 6.50%	\$ 630,000	\$ 85,000
Series 2004	6/15/2004	9/1/2014	3.25 - 4.30%	1,065,000	140,000
Series 2007A	10/15/2007	9/1/2022	3.55 - 3.95%	1,720,000	1,480,000
Series 2007B	10/15/2007	9/1/2017	3.50 - 3.70%	2,990,000	1,600,000
Series 2009A	4/1/2009	9/1/2029	2.80 - 4.75%	1,350,000	1,190,000
Series 2010A	5/10/2010	9/1/2020	2.25 - 3.15%	1,075,000	1,035,000
Series 2013A	1/29/2013	7/1/2033	2.25 - 4.30%	1,760,000	1,760,000
Series 2013B	1/29/2013	8/1/2031	2.00 - 2.70%	635,500	621,000
Paid by utility revenues					
Series 2002	12/1/2002	12/1/2016	3.50 - 4.50%	1,510,000	380,000
Series 2006A	7/15/2006	9/1/2016	3.70 - 4.10%	370,000	130,000
Series 2013B	1/29/2013	8/1/2031	2.00 - 2.70%	<u>5,719,500</u>	<u>5,589,000</u>
				<u>\$ 18,825,000</u>	<u>\$ 14,010,000</u>

Following is a summary of changes in long-term debt for the year ended December 31, 2013:

<u>Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>	<u>Interest Paid</u>
Paid by taxes					
Series 2000	\$ 95,000	\$ -	\$ 10,000	\$ 85,000	\$ 5,363
Series 2004	275,000	-	135,000	140,000	11,623
Series 2007A	1,570,000	-	90,000	1,480,000	59,450
Series 2007B	1,910,000	-	310,000	1,600,000	69,523
Series 2009A	1,245,000	-	55,000	1,190,000	50,303
Series 2010A	1,055,000	-	20,000	1,035,000	29,445
Series 2010B	1,705,000	-	1,705,000	-	4,263
Series 2013A	-	1,760,000	-	1,760,000	-
Series 2013B	-	635,500	14,500	621,000	6,652
Paid by utility revenues					
Series 2002	495,000	-	115,000	380,000	21,565
Series 2006A	170,000	-	40,000	130,000	6,910
Series 2013B	<u>-</u>	<u>5,719,500</u>	<u>130,500</u>	<u>5,589,000</u>	<u>59,868</u>
	<u>\$ 8,520,000</u>	<u>\$ 8,115,000</u>	<u>\$ 2,625,000</u>	<u>\$ 14,010,000</u>	<u>\$ 324,962</u>

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

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

The annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31,	Paid By Taxes	Paid By Utility Revenue	Total
2014	\$ 1,000,700	\$ 531,855	\$ 1,723,355
2015	996,787	539,395	1,655,949
2016	1,046,395	618,190	1,628,196
2017	1,076,735	446,290	1,612,735
2018	747,211	439,360	1,656,364
2019 - 2023	2,959,901	2,577,049	7,241,096
2024 - 2028	1,349,807	1,616,438	3,427,044
2029 - 2033	<u>780,780</u>	<u>392,400</u>	<u>911,315</u>
Total principal and interest	9,958,315	7,160,976	17,119,291
Less: interest	<u>2,047,315</u>	<u>1,061,976</u>	<u>3,109,291</u>
Total principal	<u>\$ 7,911,000</u>	<u>\$ 6,099,000</u>	<u>\$ 14,010,000</u>

In 2013, the City issued Series 2013-A general obligation refunding bonds in the amount of \$1,760,000. The City will make the first payment on January 1, 2014, and the last payment on July 1, 2033. The interest rate on the bonds ranges from 2.25% to 4.30%. In 2013, the City also issued Series 2013-B general obligation refunding bonds in the amount of \$6,355,000. The City will make the first payment on August 1, 2013, and the last payment on August 1, 2031. The interest rate on the bonds ranges from 2.00% to 2.70%. The bond proceeds were used to refund the Series 2010B general obligation bonds and various KDHE & KDOT revolving loans.

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

During the year ended December 31, 2013, the City used Series 2013B general obligation bond proceeds to pay off two revolving loans from KDHE.

Following is a summary of changes in the KDHE revolving loans for the year ended December 31, 2013:

Issue	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding	Interest Paid
KDHE Revolving Loan 1299-01	\$ 23,901	\$ -	\$ 23,901	\$ -	\$ 482
KDHE Revolving Loan 2401	2,026,816	-	2,026,816	-	38,993
KDHE Revolving Loan 1608-01	<u>3,901,310</u>	<u>-</u>	<u>3,901,310</u>	<u>-</u>	<u>53,738</u>
	<u>\$ 5,952,028</u>	<u>\$ -</u>	<u>\$ 5,952,028</u>	<u>\$ -</u>	<u>\$ 93,213</u>

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

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

During the year ended December 31, 2013, the City used Series 2013B general obligation bond proceeds to pay off two revolving loans from the Kansas Department of Transportation (KDOT).

Following is a summary of changes in the KDHE revolving loans for the year ended December 31, 2013:

Issue	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding	Interest Paid
KDOT Loan TR-0131	\$ 164,784	\$ -	\$ 164,784	\$ -	\$ 3,191
KDOT Loan TR-0132	431,402	-	431,402	-	8,354
	<u>\$ 596,185</u>	<u>\$ -</u>	<u>\$ 596,185</u>	<u>\$ -</u>	<u>\$ 11,545</u>

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, 2013:

Issue	Beginning Principal Outstanding	Restatement	Beginning Principal Outstanding Restatement	Additions to Principal	Reductions of Principal	Ending Principal Outstanding	Interest Expense
V Force Fire Coats (27)	\$ 4,204	\$ -	4,204	\$ -	\$ 4,204	\$ -	\$ 128
2006 Fire Trucks (2)	192,121	-	192,121	-	39,086	153,035	9,119
2011 Ford F250	26,223	-	26,223	-	4,870	21,353	938
Motorola Radios	62,526	25,715	88,241	-	27,652	60,589	-
Totals	<u>\$ 285,074</u>	<u>\$ 25,715</u>	<u>\$ 310,789</u>	<u>\$ -</u>	<u>\$ 75,812</u>	<u>\$ 234,977</u>	<u>\$ 10,185</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013, were as follows:

Year Ending December 31,	Payment Due
2014	\$ 69,158
2015	69,159
2016	69,159
2017	<u>45,017</u>
Total minimum lease payments	252,494
Less: amount representing interest	<u>17,517</u>
Present value of minimum lease payments	<u>\$ 234,977</u>

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

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.

The City has a water purchase contract with Kansas City Board of Public Utilities (BPU). The contract requires the City to take or pay a minimum purchase of fifty gallons of water per minute. If the City fails to purchase the minimum monthly volume of water for any month, the City can either pay BPU the amount of the underage by the billing due date in the following month or increase its purchase of water from BPU sufficient to utilize the underage during the succeeding month.

NOTE 9 – County Road No. 1 Contract

In 2009, the City entered into an Interlocal agreement with Leavenworth County to pay for the City's share of the cost of improvements to County Road No. 1. Under the \$1.5 million agreement, the City will pay \$100,000 each year for 10 years, with the final payment due on September 1, 2018. The remaining \$500,000 will be paid by the City from its share of development fees collected within the boundaries of the corridor, and is due no later than September 30, 2019.

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 – Recreation Commission COP's

The City has entered into an Interlocal agreement with the Tonganoxie Recreation Commission to open a line of credit. 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 2013:

	Beginning Principal <u>Outstanding</u>	Additions to <u>Principal</u>	Reductions of <u>Principal</u>	Ending Principal <u>Outstanding</u>
<u>Issue</u>				
Tonganoxie Recreation Lease	\$ 523,791	\$ -	\$ 61,745	\$ 462,046

NOTE 12 – Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.



CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2013

NOTE 13 – Subsequent Events

On January 29, 2014, the City agreed to a contract with Kansas Gas Service to extend utilities to the industrial park located inside city limits. In accordance with the terms of the contract, the City will pay \$296,000 for the extension project. The agreement also states the City, over a period of five years, will receive a refund for each additional customer whose service is directly connected to the extension. The total amount of the refund will not exceed \$249,755.

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CITY OF TONGANOXIE, KANSAS  
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
For the year ended December 31, 2013

<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>
Governmental Fund Types:					
General Fund:					
General	\$ 1,731,956	\$ -	\$ 1,731,956	\$ 1,726,520	\$ 5,436
Special Purpose Funds:					
Special Parks and Recreation	11,840	-	11,840	-	11,840
Special Highway	183,271	-	183,271	123,848	59,423
Library	325,168	-	325,168	313,802	11,366
Employee Benefit	628,867	-	628,867	607,476	21,391
Transient Guest Tax	4,713	-	4,713	1,000	3,713
Debt Service Fund:					
Bond and Interest	893,391	-	893,391	661,658	231,733
Capital Project Fund	892,244	-	892,244	875,917	16,327
Business Funds:					
Water	1,477,783	-	1,477,783	1,367,318	110,465
Sewer	594,057	-	594,057	551,025	43,032
Sanitation	307,051	-	307,051	306,544	507

See independent auditor's report on the financial statements.

CITY OF TONGANOXIE, KANSAS  
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the year ended December 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	Prior Year	Current Year		Variance
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Positive [Negative]
Receipts				
Taxes	\$ 795,563	\$ 782,167	\$ 507,871	\$ 274,296
Intergovernmental	482,904	473,990	440,501	33,489
Licenses and permits	26,409	19,561	24,900	[5,339]
Fines and fees	185,713	197,758	334,832	[137,074]
Use of money and property	11,362	4,315	25,300	[20,985]
Charges for services	124,486	108,295	131,150	[22,855]
Miscellaneous	81,894	165,054	1,550	163,504
Transfers in	-	101,691	-	101,691
Total Receipts	<u>1,708,331</u>	<u>1,852,831</u>	<u>\$ 1,466,104</u>	<u>\$ 386,727</u>
Expenditures				
General government	34,753	18,551	\$ 57,100	\$ 38,549
Administration	363,458	295,070	251,949	[43,121]
Code enforcement	27,681	26,167	-	[26,167]
City planning and development	21,790	40,690	-	[40,690]
Police department	602,256	616,887	686,638	69,751
Fire department	270,572	248,505	269,523	21,018
Highway and streets	132,937	278,106	282,646	4,540
Swimming pool	125,632	112,266	94,700	[17,566]
Court services	106,811	70,993	64,400	[6,593]
Animal control	25,325	19,285	25,000	5,715
Total Expenditures	<u>1,711,215</u>	<u>1,726,520</u>	<u>\$ 1,731,956</u>	<u>\$ 5,436</u>
Excess [deficiency] of revenues over [under] expenditures	[2,884]	126,311		
Unencumbered Cash, Beginning	<u>266,956</u>	<u>264,072</u>		
Unencumbered Cash, Ending	<u>\$ 264,072</u>	<u>\$ 390,383</u>		

See independent auditor's report on the financial statements.

CITY OF TONGANOXIE, KANSAS  
SPECIAL PARKS AND RECREATION FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the year ended December 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive <u>[Negative]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Intergovernmental	\$ 5,524	\$ 5,144	\$ 5,325	\$ [181]
Total Receipts	<u>5,524</u>	<u>5,144</u>	<u>\$ 5,325</u>	<u>\$ [181]</u>
Expenditures				
Culture and recreation				
Contractual services	<u>5,049</u>	<u>-</u>	<u>\$ 11,840</u>	<u>\$ 11,840</u>
Total Expenditures	<u>5,049</u>	<u>-</u>	<u>\$ 11,840</u>	<u>\$ 11,840</u>
Excess [deficiency] of revenues over [under] expenditures	475	5,144		
Unencumbered Cash, Beginning	<u>5,595</u>	<u>6,070</u>		
Unencumbered Cash, Ending	<u>\$ 6,070</u>	<u>\$ 11,214</u>		

See independent auditor's report on the financial statements.

CITY OF TONGANOXIE, KANSAS  
SPECIAL HIGHWAY FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the year ended December 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	Prior Year	Current Year		Variance Positive
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Negative]</u>
Receipts				
Intergovernmental	\$ 157,466	\$ 151,073	\$ 154,690	\$ [3,617]
Reimbursements	-	1,292	-	1,292
Total Receipts	<u>157,466</u>	<u>152,365</u>	<u>\$ 154,690</u>	<u>\$ [2,325]</u>
Expenditures				
Public works	107,378	73,848	\$ 133,271	\$ 59,423
Debt service	-	50,000	50,000	-
Total Expenditures	<u>107,378</u>	<u>123,848</u>	<u>\$ 183,271</u>	<u>\$ 59,423</u>
Excess [deficiency] of revenues over [under] expenditures	50,088	28,517		
Unencumbered Cash, Beginning	<u>129,712</u>	<u>179,800</u>		
Unencumbered Cash, Ending	<u>\$ 179,800</u>	<u>\$ 208,317</u>		

See independent auditor's report on the financial statements.

CITY OF TONGANOXIE, KANSAS  
LIBRARY FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the year ended December 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	Prior Year	Current Year		Variance Positive
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Negative]</u>
Receipts				
Taxes	\$ 283,541	\$ 313,802	\$ 307,290	\$ 6,512
Total Receipts	<u>283,541</u>	<u>313,802</u>	<u>\$ 307,290</u>	<u>\$ 6,512</u>
Expenditures				
Appropriation	<u>283,541</u>	<u>313,802</u>	<u>\$ 325,168</u>	<u>\$ 11,366</u>
Total Expenditures	<u>283,541</u>	<u>313,802</u>	<u>\$ 325,168</u>	<u>\$ 11,366</u>
Excess [deficiency] of revenues over [under] expenditures	-	-		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

CITY OF TONGANOXIE, KANSAS  
EMPLOYEE BENEFIT FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the year ended December 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	Prior Year	Current Year		Variance Positive
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Negative]</u>
Receipts				
Taxes	\$ 348,584	\$ 369,427	\$ 360,538	\$ 8,889
Miscellaneous	29,427	49,692	58,274	[8,582]
Transfers in	<u>145,269</u>	<u>95,445</u>	<u>136,117</u>	<u>[40,672]</u>
Total Receipts	<u>523,280</u>	<u>514,564</u>	<u>\$ 554,929</u>	<u>\$ [40,365]</u>
Expenditures				
General government				
Personal services	502,127	505,785	\$ 608,117	\$ 102,332
Contingency	-	-	20,750	20,750
Transfer out	<u>-</u>	<u>101,691</u>	<u>-</u>	<u>[101,691]</u>
Total Expenditures	<u>502,127</u>	<u>607,476</u>	<u>\$ 628,867</u>	<u>\$ 21,391</u>
Excess [deficiency] of revenues over [under] expenditures	21,153	[92,912]		
Unencumbered Cash, Beginning	<u>71,759</u>	<u>92,912</u>		
Unencumbered Cash, Ending	<u>\$ 92,912</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.



CITY OF TONGANOXIE, KANSAS  
POLICE DEPARTMENT EQUIPMENT RESERVE FUND\*

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis  
For the year ended December 31, 2013 and 2012

	<u>2012</u>	<u>2013</u>
Receipts		
Fines and fees	\$ 10,307	\$ 11,218
Grants and donations	-	8,000
Miscellaneous	<u>3,166</u>	<u>32,963</u>
Total Receipts	<u>13,473</u>	<u>52,181</u>
Expenditures		
Capital outlay	<u>15,892</u>	<u>58,843</u>
Total Expenditures	<u>15,892</u>	<u>58,843</u>
Excess [deficiency] of revenues over [under] expenditures	[2,419]	[6,662]
Unencumbered Cash, Beginning	<u>26,562</u>	<u>24,143</u>
Unencumbered Cash, Ending	<u>\$ 24,143</u>	<u>\$ 17,481</u>

\* - This fund is not required to be budgeted.

SCHEDULE 2 - 7

CITY OF TONGANOXIE, KANSAS  
FIRE DEPARTMENT EQUIPMENT RESERVE FUND\*

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis  
For the year ended December 31, 2013 and 2012

	<u>2012</u>	<u>2013</u>
Receipts		
Fines and fees	\$ 75,602	\$ 222,296
Total Receipts	<u>75,602</u>	<u>222,296</u>
Expenditures		
Contractual services	8,205	22
Capital outlay	<u>83,168</u>	<u>422,164</u>
Total Expenditures	<u>91,373</u>	<u>422,186</u>
Excess [deficiency] of revenues over [under] expenditures	[15,771]	[199,890]
Unencumbered Cash, Beginning	<u>325,906</u>	<u>310,135</u>
Unencumbered Cash, Ending	<u>\$ 310,135</u>	<u>\$ 110,245</u>

\* - This fund is not required to be budgeted.

CITY OF TONGANOXIE, KANSAS  
LAW ENFORCEMENT TRUST FUND\*

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis  
For the year ended December 31, 2013 and 2012

	<u>2012</u>	<u>2013</u>
Receipts		
Grants	\$ 785	\$ -
Seizures and forfeitures	<u>5,105</u>	<u>2,411</u>
Total Receipts	<u>5,890</u>	<u>2,411</u>
Expenditures		
Contractual services	462	362
Commodities	<u>-</u>	<u>2,105</u>
Total Expenditures	<u>462</u>	<u>2,467</u>
Excess [deficiency] of revenues over [under] expenditures	5,428	[56]
Unencumbered Cash, Beginning	<u>11,063</u>	<u>16,491</u>
Unencumbered Cash, Ending	<u>\$ 16,491</u>	<u>\$ 16,435</u>

\* - This fund is not required to be budgeted.

CITY OF TONGANOXIE, KANSAS  
TRANSIENT GUEST TAX FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the year ended December 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Intergovernmental	\$ 1,361	\$ 415	\$ 1,000	\$ [585]
Total Receipts	<u>1,361</u>	<u>415</u>	<u>\$ 1,000</u>	<u>\$ [585]</u>
Expenditures and Transfers Not Subject to Budget				
Contractual services	<u>-</u>	<u>1,000</u>	<u>\$ 4,713</u>	<u>\$ 3,713</u>
Total Expenditures and Transfers Not Subject to Budget	<u>-</u>	<u>1,000</u>	<u>\$ 4,713</u>	<u>\$ 3,713</u>
Excess [deficiency] of revenues over [under] expenditures	1,361	[585]		
Unencumbered Cash, Beginning	<u>3,414</u>	<u>4,775</u>		
Unencumbered Cash, Ending	<u>\$ 4,775</u>	<u>\$ 4,190</u>		

See independent auditor's report on the financial statements.

CITY OF TONGANOXIE, KANSAS  
WATER PARK SALES TAX FUND\*

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis  
For the year ended December 31, 2013 and 2012

	<u>2012</u>	<u>2013</u>
Receipts		
Sales tax	\$ 273,345	\$ 349,639
	<u>273,345</u>	<u>349,639</u>
Total Receipts		
	<u>273,345</u>	<u>349,639</u>
Expenditures and Transfers Not Subject to Budget		
Transfer out	<u>287,463</u>	<u>381,480</u>
	<u>287,463</u>	<u>381,480</u>
Total Expenditures and Transfers Not Subject to Budget		
	<u>287,463</u>	<u>381,480</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[14,118]</u>	<u>[31,841]</u>
Unencumbered Cash, Beginning	-	32,760
Prior Period Adjustment - Fund Previously Reported With Water Fund	<u>46,878</u>	<u>-</u>
	<u>46,878</u>	<u>-</u>
Unencumbered Cash, Beginning, Restated		
	<u>46,878</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 32,760</u>	<u>\$ 919</u>

\* - This fund is not required to be budgeted.

CITY OF TONGANOXIE, KANSAS  
BOND AND INTEREST FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the year ended December 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	Prior Year	Current Year		Variance
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Positive [Negative]
Receipts				
Taxes	\$ 351,145	\$ 403,662	\$ 893,252	\$ [489,590]
Transfers in	<u>-</u>	<u>389,310</u>	<u>-</u>	<u>389,310</u>
Total Receipts	<u>351,145</u>	<u>792,972</u>	<u>\$ 893,252</u>	<u>\$ [100,280]</u>
Expenditures				
Contractual services	-	1,200	\$ -	\$ [1,200]
Debt service	358,121	649,439	893,391	243,952
Transfers out	<u>-</u>	<u>11,019</u>	<u>-</u>	<u>[11,019]</u>
Total Expenditures	<u>358,121</u>	<u>661,658</u>	<u>\$ 893,391</u>	<u>\$ 231,733</u>
Excess [deficiency] of revenues over [under] expenditures	[6,976]	131,314		
Unencumbered Cash, Beginning	<u>39,157</u>	<u>32,181</u>		
Unencumbered Cash, Ending	<u>\$ 32,181</u>	<u>\$ 163,495</u>		

See independent auditor's report on the financial statements.

CITY OF TONGANOXIE, KANSAS  
CAPITAL DEBT 2013A FUND\*

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis  
For the year ended December 31, 2013

Receipts	
Bond proceeds	\$ 1,760,000
Bond premium	<u>19,965</u>
Total Receipts	<u>1,779,965</u>
Expenditures	
Contractual services	44,606
Principal	1,705,000
Interest	4,263
Cost of issuance	19,354
Transfers out	<u>6,742</u>
Total Expenditures	<u>1,779,965</u>
Excess [deficiency] of revenues over [under] expenditures	-
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>

\* - This fund is not required to be budgeted.

CITY OF TONGANOXIE, KANSAS  
CAPITAL DEBT 2013B FUND\*

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis  
For the year ended December 31, 2013

Receipts	
Bond proceeds	\$ 6,355,000
Bond premium	189,524
Transfers in	<u>205,434</u>
Total Receipts	<u>6,749,958</u>
Expenditures	
Contractual services	62,431
Principal	6,524,313
Interest	104,337
Cost of issuance	57,789
Transfers out	<u>1,088</u>
Total Expenditures	<u>6,749,958</u>
Excess [deficiency] of revenues over [under] expenditures	-
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>

\* - This fund is not required to be budgeted.



CITY OF TONGANOXIE, KANSAS  
CAPITAL PROJECT FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the year ended December 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Intergovernmental	\$ 342,748	\$ 612,381	\$ 350,000	\$ 262,381
Total Receipts	<u>342,748</u>	<u>612,381</u>	<u>\$ 350,000</u>	<u>\$ 262,381</u>
Expenditures				
Miscellaneous	-	19,331	\$ -	\$ [19,331]
Capital outlay	189,185	689,168	724,826	35,658
Debt service	<u>233,777</u>	<u>167,418</u>	<u>167,418</u>	<u>-</u>
Total Expenditures	<u>422,962</u>	<u>875,917</u>	<u>\$ 892,244</u>	<u>\$ 16,327</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[80,214]</u>	<u>[263,536]</u>		
Unencumbered Cash, Beginning	456,494	352,747		
Prior Period Adjustment - Capital Reserve Fund Fund Previously Reported With Capital Project Fund	<u>[23,533]</u>	<u>-</u>		
Unencumbered Cash, Beginning, Restated	<u>432,961</u>	<u>352,747</u>		
Unencumbered Cash, Ending	<u>\$ 352,747</u>	<u>\$ 89,211</u>		

See independent auditor's report on the financial statements.

CITY OF TONGANOXIE, KANSAS  
CAPITAL RESERVE FUND\*

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis  
For the year ended December 31, 2013 and 2012

	<u>2012</u>	<u>2013</u>
Receipts		
Proceeds from sale	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Miscellaneous expense	-	2,868
Capital outlay	-	20,000
Total Expenditures	-	22,868
Excess [deficiency] of revenues over [under] expenditures	-	[22,868]
Unencumbered Cash, Beginning	-	23,533
Prior Period Adjustment - Fund Previously Reported With Capital Project Fund	23,533	-
Unencumbered Cash, Beginning, Restated	23,533	-
Unencumbered Cash, Ending	<u>\$ 23,533</u>	<u>\$ 665</u>

\* - This fund is not required to be budgeted.

CITY OF TONGANOXIE, KANSAS  
WATER FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the year ended December 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services	\$ 1,013,222	\$ 955,871	\$ 936,850	\$ 19,021
Use of money and property	<u>1,547</u>	<u>56</u>	<u>-</u>	<u>56</u>
Total Receipts	<u>1,014,769</u>	<u>955,927</u>	<u>\$ 936,850</u>	<u>\$ 19,077</u>
Expenditures				
Production and distribution	597,180	506,656	\$ 468,783	\$ [37,873]
Debt service	344,595	263,770	476,371	212,601
Transfers out	<u>76,550</u>	<u>596,892</u>	<u>532,629</u>	<u>[64,263]</u>
Total Expenditures	<u>1,018,325</u>	<u>1,367,318</u>	<u>\$ 1,477,783</u>	<u>\$ 110,465</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[3,556]</u>	<u>[411,391]</u>		
Unencumbered Cash, Beginning	846,650	640,064		
Prior Period Adjustment - Water Capital Fund Fund Previously Reported With Water Fund	[156,152]	-		
Prior Period Adjustment - Water Park Sales Tax Fund Previously Reported With Water Fund	<u>[46,878]</u>	<u>-</u>		
Unencumbered Cash, Beginning, Restated	<u>643,620</u>	<u>640,064</u>		
Unencumbered Cash, Ending	<u>\$ 640,064</u>	<u>\$ 228,673</u>		

See independent auditor's report on the financial statements.

CITY OF TONGANOXIE, KANSAS  
WATER CAPITAL FUND\*

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis  
For the years ended December 31, 2013 and 2012

	<u>2012</u>	<u>2013</u>
Receipts		
Charges for services	\$ 19,000	\$ 9,015
Lease proceeds	12,875	11,500
Transfers in	<u>-</u>	<u>457,600</u>
Total Receipts	<u>31,875</u>	<u>478,115</u>
Expenditures		
Capital outlay	<u>13,250</u>	<u>166,528</u>
Total Expenditures	<u>13,250</u>	<u>166,528</u>
Excess [deficiency] of revenues over [under] expenditures	<u>18,625</u>	<u>311,587</u>
Unencumbered Cash, Beginning	-	174,777
Prior Period Adjustment Fund Previously Reported With Water Fund	<u>156,152</u>	<u>-</u>
Unencumbered Cash, Beginning, Restated	<u>156,152</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 174,777</u>	<u>\$ 486,364</u>

\* - This fund is not required to be budgeted.

CITY OF TONGANOXIE, KANSAS  
SEWER FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the year ended December 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	Prior Year	Current Year		Variance Positive [Negative]
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services	\$ 565,061	\$ 557,343	\$ 569,800	\$ [12,457]
Use of money and property	-	5,750	5,750	-
Total Receipts	<u>565,061</u>	<u>563,093</u>	<u>\$ 575,550</u>	<u>\$ [12,457]</u>
Expenditures				
Plant operating costs	242,620	246,463	\$ 257,073	\$ 10,610
Capital outlay	-	1,490	-	[1,490]
Debt service	317,054	149,179	274,383	125,204
Transfers out	<u>52,170</u>	<u>153,893</u>	<u>62,601</u>	<u>[91,292]</u>
Total Expenditures	<u>611,844</u>	<u>551,025</u>	<u>\$ 594,057</u>	<u>\$ 43,032</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[46,783]</u>	<u>12,068</u>		
Unencumbered Cash, Beginning	581,028	103,755		
Prior Period Adjustment - Sewer Capital Fund Fund Previously Reported With Sewer Fund	<u>[430,490]</u>	<u>-</u>		
Unencumbered Cash, Beginning, Restated	<u>150,538</u>	<u>103,755</u>		
Unencumbered Cash, Ending	<u>\$ 103,755</u>	<u>\$ 115,823</u>		

See independent auditor's report on the financial statements.

CITY OF TONGANOXIE, KANSAS  
SEWER CAPITAL FUND\*

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis  
For the years ended December 31, 2013 and 2012

	<u>2012</u>	<u>2013</u>
Receipts		
Charges for services	\$ 17,875	\$ 12,375
Transfers in	<u>-</u>	<u>13,770</u>
Total Receipts	<u>17,875</u>	<u>26,145</u>
Expenditures		
Capital outlay	<u>143,451</u>	<u>75,839</u>
Total Expenditures	<u>143,451</u>	<u>75,839</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[125,576]</u>	<u>[49,694]</u>
Unencumbered Cash, Beginning	-	304,914
Prior Period Adjustment Fund Previously Reported With Sewer Fund	<u>430,490</u>	<u>-</u>
Unencumbered Cash, Beginning, Restated	<u>430,490</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 304,914</u>	<u>\$ 255,220</u>

\* - This fund is not required to be budgeted.

CITY OF TONGANOXIE, KANSAS  
SANITATION FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the year ended December 31, 2013  
(With comparative actual amounts for the year ended December 31, 2012)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services	\$ 311,662	\$ 319,325	\$ 310,000	\$ 9,325
Total Receipts	<u>311,662</u>	<u>319,325</u>	<u>\$ 310,000</u>	<u>\$ 9,325</u>
Expenditures				
Contractual services	304,636	296,099	\$ 296,606	\$ 507
Transfer out	<u>16,549</u>	<u>10,445</u>	<u>10,445</u>	<u>-</u>
Total Expenditures	<u>321,185</u>	<u>306,544</u>	<u>\$ 307,051</u>	<u>\$ 507</u>
Excess [deficiency] of revenues over [under] expenditures	[9,523]	12,781		
Unencumbered Cash, Beginning	<u>36,992</u>	<u>27,469</u>		
Unencumbered Cash, Ending	<u>\$ 27,469</u>	<u>\$ 40,250</u>		

See independent auditor's report on the financial statements.

SCHEDULE 3

CITY OF TONGANOXIE, KANSAS  
AGENCY FUNDS

Summary of Receipts and Disbursements  
Regulatory Basis  
For the year ended December 31, 2013

	Balance December 31, <u>2012</u>	<u>Receipts</u>	<u>Expenditures</u>	Balance December 31, <u>2013</u>
Payroll clearing	\$ 10,643	\$ 1,404,202	\$ 1,409,178	\$ 5,667
Bail bonds	780	8,826	2,060	7,546
Revolving loan	<u>22,287</u>	<u>4,828</u>	<u>40</u>	<u>27,075</u>
Total	<u>\$ 33,710</u>	<u>\$ 1,417,856</u>	<u>\$ 1,411,278</u>	<u>\$ 40,288</u>

See independent auditor's report on the financial statements.



CITY OF TONGANOXIE, KANSAS

Schedule of Expenditures of Federal Awards  
For the year ended December 31, 2013

Federal Grantor/Pass-Through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Transportation</u></b>		
Passed Through the Kansas Department of Transportation		
Highway Planning and Construction	20.205	\$ 405,590
State and Community Highway Safety	20.600	<u>6,652</u>
Total U.S. Department of Transportation		<u>412,242</u>
<b><u>U.S. Department of Justice</u></b>		
Passed Through the Kansas Governor's Office		
Edward Byrne Memorial Justice Assistance	16.738	<u>19,985</u>
Total U.S. Department of Justice		<u>19,985</u>
<b><u>U.S. Department of Homeland Security</u></b>		
Assistance to Firefighters	97.044	<u>142,785</u>
Total U.S. Department of Homeland Security		<u>142,785</u>
Total Expenditures of Federal Awards		<u><u>\$ 575,012</u></u>

The accompanying notes are an integral part of this schedule.

CITY OF TONGANOXIE, KANSAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of the City of Tonganoxie, Kansas. All expenditures of federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the Kansas regulatory basis of accounting which includes cash disbursements, accounts payable and encumbrances.

CITY OF TONGANOXIE, KANSAS

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified (Regulatory Basis) <u>Adverse (GAAP)</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>          </u> Yes	<u>      X      </u> No	
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u>          </u> Yes	<u>      X      </u> No	
Noncompliance material to financial statements noted?	<u>          </u> Yes	<u>      X      </u> No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u>          </u> Yes	<u>      X      </u> No	
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u>          </u> Yes	<u>      X      </u> None reported	
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u>          </u> Yes	<u>      X      </u> No	

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>          </u> Yes <u>      X      </u> No

CITY OF TONGANOXIE, KANSAS

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2013

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

None Noted

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"**

Mayor and City Council  
City of Tonganoxie, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting Guide, the financial statements of the City of Tonganoxie, Kansas (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain other matters that we reported to management of the City in a separate letter dated June 26, 2014.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mike Houser: Company PA*

Certified Public Accountants  
Lawrence, Kansas

June 26, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Mayor and City Council  
City of Tonganoxie, Kansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Tonganoxie, Kansas (the City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2013. The City's major federal financial programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Kansas Municipal Audit and Accounting Guide. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

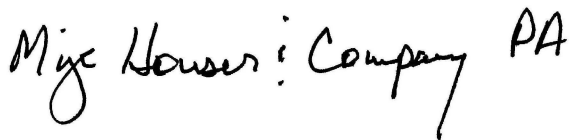
#### Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Handwritten signature of Mike Houser in black ink, followed by the text "Company PA".

Certified Public Accountants  
Lawrence, Kansas

June 26, 2014