

CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENT
(with Independent Auditors' Report thereon)

For the Year Ended December 31, 2014

CITY OF TONGANOXIE, KANSAS
TABLE OF CONTENTS
For the year ended December 31, 2014

Independent Auditors' Report	1 - 2
Summary statement of receipts, expenditures and unencumbered cash	3
Notes to the financial statement	4 - 13
REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE 1	
Summary of expenditures - actual and budget	14
SCHEDULE 2	
Schedule of receipts and expenditures - actual and budget	
General fund	15
Special parks and recreation fund	16
Special highway fund	17
Library operations fund	18
Police department equipment reserve fund	19
Fire department equipment reserve fund	20
Law enforcement trust fund	21
Transient guest tax fund	22
Water park sales tax	23
Insurance proceeds fund	24
Gallagher Park fund	25
Bond and interest fund	26
Capital projects fund	27
Capital reserve fund	28
Water operations fund	29
Water capital improvement fund	30
Sewer operations fund	31
Sewer capital improvement fund	32
Sanitation fund	33
SCHEDULE 3	
Summary of receipts and disbursements	
Agency funds	34
COMPLIANCE SECTION	
Schedule of expenditures of federal awards	35
Note to the schedule of expenditures of federal awards	36
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	37
Independent auditors' report on compliance for each major program and on internal control over compliance required by OMB Circular A-133	38 - 39
Schedule of findings and questioned costs	40
Summary schedule of prior year audit findings	41



Kramer & Associates CPAs, LLC

Making the right move for your business

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Tonganoxie, Kansas

REPORT ON THE FINANCIAL STATEMENT

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, 2014 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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.

Auditors' 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 *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 more fully 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, 2014, 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, 2014, 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.

REPORT ON REGULATORY-REQUIRED AND OTHER 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, schedule of regulatory basis receipts and disbursements - agency funds, and schedule of regulatory basis receipts, expenditures, and unencumbered cash - district activity funds 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 basic financial statement. 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 October 5, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KRAMER & ASSOCIATES CPAs, LLC

Kramer & Associates CPAs, LLC
Leavenworth, Kansas
October 5, 2015

CITY OF TONGANOXIE, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the year ended December 31, 2014

Funds	Beginning unencumbered cash balance	Prior year cancelled encumbrances	Receipts	Expenditures	Ending unencumbered cash balance	Add encumbrances and accounts payable	Ending cash balance
Governmental type funds:							
General fund:							
General	\$ 390,383	\$ -	\$ 2,528,610	\$ 2,668,451	\$ 250,542	\$ 16,371	\$ 266,913
Special purpose funds:							
Special parks and recreation	11,214	-	5,133	2,408	13,939	-	13,939
Special highway	208,317	-	173,688	103,266	278,739	-	278,739
Library operations	-	-	348,668	340,083	8,585	8,028	16,613
Police department equipment reserve	17,481	-	32,310	18,749	31,042	-	31,042
Fire department equipment reserve	110,245	-	76,733	72,390	114,588	-	114,588
Law enforcement trust	16,435	-	2,540	17,849	1,126	-	1,126
Transient guest tax	4,190	-	316	320	4,186	-	4,186
Water park sales tax	919	-	379,002	379,001	920	-	920
Insurance proceeds	-	-	34,304	9,870	24,434	-	24,434
Gallagher Park	-	-	550	-	550	-	550
Debt service fund:							
Bond and interest	163,495	-	766,988	743,699	186,784	-	186,784
Capital projects funds:							
Capital projects	89,211	-	1,362,791	1,451,976	26	128,429	128,455
Capital reserve	665	-	306,833	306,583	915	-	915
Business funds:							
Water operations	228,673	-	1,049,496	971,219	306,950	2,868	309,818
Water capital improvement	486,364	-	31,875	235,640	282,599	-	282,599
Sewer operations	115,823	-	647,200	566,376	196,647	5,086	201,733
Sewer capital improvement	255,220	-	24,750	3,144	276,826	-	276,826
Sanitation	40,250	-	319,798	297,157	62,891	23,584	86,475
Total reporting entity (excluding agency fund)	<u>\$ 2,138,885</u>	<u>\$ -</u>	<u>\$ 8,091,585</u>	<u>\$ 8,188,181</u>	<u>\$ 2,042,289</u>	<u>\$ 184,366</u>	<u>\$ 2,226,655</u>
Composition of cash:					General checking		\$ 820,928
					Certificate of deposit		63,441
					Revolving loan		36,681
					Investments		<u>1,363,378</u>
					Total cash		2,284,428
					Less agency funds		<u>(57,773)</u>
					Total reporting entity (excluding agency funds)		<u>\$ 2,226,655</u>

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

CITY OF TONGANOXIE, KANSAS
Notes to the Financial Statement
For the year ended December 31, 2014

1. Summary of significant accounting policies

a. Municipal financial reporting entity

The City of Tonganoxie, Kansas, (the City), is a municipal corporation governed by an elected mayor and five-member council. This financial statement presents the City (the primary government) and excludes 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 statement of the City consists only of the funds of the primary government.

b. Related Municipal Entity That is Not Presented

The Tonganoxie Public Library (the 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 the report of the primary government. Financial statements for the Library may be obtained at the Library's office in Tonganoxie, Kansas.

c. 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.

1. Summary of significant accounting policies (continued)

d. 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.

e. 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, with 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, 2014:

- a. General fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.
- b. Special purpose fund - used to account for the proceeds of specific tax levies and other specific regulatory receipts sources (other than capital projects and tax levies for long-term debt) that are intended for specified purposes.
- c. 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.
- d. 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.
- e. 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.)
- f. Agency fund - funds used to report assets held by the City in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

2. Stewardship, compliance, and accountability

a. 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. Although directory rather than mandatory, 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 year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on budget.
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. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules 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 regulatory basis of accounting, in which, regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by documents evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, agency funds, and certain special purpose funds as follows: Police Department Equipment Reserve Fund, Fire Department Equipment Reserve Fund, Law Enforcement Trust Fund, Gallagher Park 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.

3. Deposits and investments

As of December 31, 2014, the City had the following investments with maturities less than one year:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool	<u>\$ 1,363,378</u>	S&P AAf/S1+
Total	<u><u>\$ 1,363,378</u></u>	

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 bank 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.

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. The City's allocation of investments as of December 31, 2014, is as follows:

<u>Investments</u>	<u>Percentage of Investments</u>
Kansas Municipal Investment Pool	<u><u>100%</u></u>

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. All deposits were legally secured at December 31, 2014.

3. Deposits and investments (continued)

At December 31, 2014, the City's carrying amount of deposits was \$905,285 and the bank balance was \$1,094,373. The bank balance 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 remaining \$844,373 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.

At December 31, 2014, City had invested \$1,363,378 in the State's municipal investment pool. The 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 ten 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.

4. Long-term debt

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.

Capital 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.

General obligation bonds currently outstanding and a summary of changes in leases for the year ended December 31, 2014 are presented on the following pages.

4. Long-term debt (continued)

a. Changes in long-term liabilities for the City for the year ended December 31, 2014, were as follows:

Issue	Interest rate	Date of issue	Amount of issue	Date of final maturity	Balance beginning of year	Additions	Reductions/ payments	Balance end of year	Interest Paid
General obligation bonds:									
Series 2000	4.85%-6.50%	12/01/2000	\$ 630,000	09/01/2021	\$ 85,000	\$ -	\$ (10,000)	\$ 75,000	\$ 4,812
Series 2002	3.50%-4.50%	12/01/2002	\$1,510,000	12/01/2016	380,000	-	(120,000)	260,000	16,735
Series 2004	3.25%-4.30%	06/15/2004	\$1,065,000	09/01/2014	140,000	-	(140,000)	-	6,020
Series 2006A	3.70%-4.10%	07/15/2006	\$ 370,000	09/01/2016	130,000	-	(40,000)	90,000	5,310
Series 2007A	3.55%-3.95%	10/15/2007	\$1,720,000	09/01/2022	1,480,000	-	(90,000)	1,390,000	56,210
Series 2007B	3.50%-3.70%	10/15/2007	\$2,990,000	09/01/2017	1,600,000	-	(345,000)	1,255,000	58,362
Series 2009A	2.80%-4.75%	04/01/2009	\$1,350,000	09/01/2029	1,190,000	-	(50,000)	1,140,000	48,763
Series 2010A	2.25%-3.15%	05/10/2010	\$1,075,000	09/01/2020	1,035,000	-	(40,000)	995,000	28,995
Series 2013A	2.25%-4.30%	01/29/2013	\$1,760,000	07/01/2033	1,760,000	-	-	1,760,000	83,669
Series 2013B	2.00-2.70%	01/29/2013	\$6,355,000	08/01/2031	6,210,000	-	(260,000)	5,950,000	128,678
Capital leases:									
2006 Fire Trucks	4.93%	12/01/2006	\$ 400,000	9/17/2017	153,035	-	(41,045)	111,990	7,138
2011 Ford F250	3.72%	05/17/2010	\$ 35,000	07/01/2018	21,353	-	(4,986)	16,367	761
Motorola Radios	0.00%	08/27/2010	\$ 87,537	08/01/2017	60,589	-	(15,147)	45,442	-
Total long-term debt					<u>\$14,244,977</u>	<u>\$ -</u>	<u>\$ (1,156,178)</u>	<u>\$13,088,799</u>	<u>\$ 445,453</u>

4. Long-term debt (continued)

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

	Year ended December 31,								
	2015	2016	2017	2018	2019	2020-2024	2025-2029	2030-2034	Total
Principal:									
G.O. Bonds:									
Series 2000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 25,000	\$ -	\$ -	\$ 75,000
Series 2002	125,000	135,000	-	-	-	-	-	-	260,000
Series 2004	-	-	-	-	-	-	-	-	-
Series 2006A	45,000	45,000	-	-	-	-	-	-	90,000
Series 2007A	115,000	140,000	145,000	150,000	190,000	650,000	-	-	1,390,000
Series 2007B	380,000	415,000	460,000	-	-	-	-	-	1,255,000
Series 2009A	60,000	60,000	60,000	65,000	65,000	370,000	460,000	-	1,140,000
Series 2010A	85,000	85,000	85,000	235,000	250,000	255,000	-	-	995,000
Series 2013A	70,000	75,000	80,000	80,000	80,000	430,000	490,000	455,000	1,760,000
Series 2013B	270,000	360,000	385,000	385,000	395,000	2,665,000	1,240,000	250,000	5,950,000
Capital leases:									
2006 Fire Trucks	43,145	45,319	23,526	-	-	-	-	-	111,990
2011 Ford F250	5,239	5,438	5,690	-	-	-	-	-	16,367
Motorola Radios	15,147	15,147	15,148	-	-	-	-	-	45,442
Total principal	<u>1,223,531</u>	<u>1,390,904</u>	<u>1,269,364</u>	<u>925,000</u>	<u>990,000</u>	<u>4,395,000</u>	<u>2,190,000</u>	<u>705,000</u>	<u>13,088,799</u>
Interest:									
G.O. Bonds:									
Series 2000	\$ 4,262	\$ 3,712	\$ 3,163	\$ 2,587	\$ 2,013	\$ 2,301	\$ -	\$ -	\$ 18,038
Series 2002	11,575	6,075	-	-	-	-	-	-	17,650
Series 2004	-	-	-	-	-	-	-	-	-
Series 2006A	3,690	1,845	-	-	-	-	-	-	5,535
Series 2007A	52,948	48,750	43,570	38,205	32,580	51,715	-	-	267,768
Series 2007B	45,943	32,167	17,020	-	-	-	-	-	95,130
Series 2009A	47,363	45,563	43,643	41,602	39,262	155,175	66,270	-	438,878
Series 2010A	29,095	26,140	24,185	22,230	15,532	8,033	-	-	125,215
Series 2013A	58,830	57,255	55,568	53,767	51,967	184,870	192,175	49,053	703,485
Series 2013B	123,477	118,077	110,878	103,177	95,478	338,888	100,940	10,125	1,001,040
Capital leases:									
2006 Fire Trucks	5,059	2,885	586	-	-	-	-	-	8,530
2011 Ford F250	568	370	162	-	-	-	-	-	1,100
Motorola Radios	-	-	-	-	-	-	-	-	-
Total interest	<u>382,810</u>	<u>342,839</u>	<u>298,775</u>	<u>261,568</u>	<u>236,832</u>	<u>740,982</u>	<u>359,385</u>	<u>59,178</u>	<u>2,682,369</u>
Total payments	<u>\$1,606,341</u>	<u>\$1,733,743</u>	<u>\$1,568,139</u>	<u>\$1,186,568</u>	<u>\$ 1,226,832</u>	<u>\$5,135,982</u>	<u>\$ 2,549,385</u>	<u>\$ 764,178</u>	<u>\$15,771,168</u>

5. Interfund transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Capital Projects	K.S.A. 12-1,118	\$ 91,000
Water Operations	General	K.S.A. 12-16,102	13,994
Sewer Operations	General	K.S.A. 12-16,102	12,045
Water Park Sales Tax	Bond and Interest	Bond Ordinance	<u>379,001</u>
Total fund transfers			<u>\$ 496,040</u>

6. 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, 2014 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.

7. Defined benefit pension plan

a. 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, KS 66603) or by calling 1-888-275-5737.

b. Funding policy

K.S.A. 74-4919 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 of 5% 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 provision 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.

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 minutes. 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.

9. County Road No. 1 contract

In 2009, the City entered into an Interlocal agreement with Leavenworth County, Kansas 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.

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 years.

11. Recreation Commission COP's

The City has entered into an Interlocal agreement with the Tonganoxie Recreation Commission (TRC) to open a line of credit. The recreation commission is assuming these payments as part of a lease purchase agreement with the city. The 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 2014:

<u>Issue</u>	<u>Beginning principle outstanding</u>	<u>Additions (reductions)</u>	<u>Ending principal outstanding</u>
TRC Lease	\$ 462,046	\$ (64,225)	\$ 397,821

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.

13. Other post employment benefits (continued)

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.

14. Subsequent event

Management has evaluated the effects on the financial statement of subsequent events occurring through the date of this report, which is the date at which the financial statement was available to be issued.

CITY OF TONGANOXIE, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the year ended December 31, 2014

Funds	Certified budget	Adjustment for qualifying budget credits	Total budget for comparison	Expenditures chargeable to current year	Variance - over (under)
Governmental type funds:					
General funds:					
General	\$ 2,700,027	\$ -	\$ 2,700,027	\$ 2,668,451	\$ 31,576
Special purpose funds:					
Special parks and recreation	\$ 11,820	\$ -	\$ 11,820	\$ 2,408	\$ 9,412
Special highway	\$ 307,000	\$ -	\$ 307,000	\$ 103,266	\$ 203,734
Library operations	\$ 352,872	\$ -	\$ 352,872	\$ 340,083	\$ 12,789
Transient guest tax	\$ 3,525	\$ -	\$ 3,525	\$ 320	\$ 3,205
Debt service funds:					
Bond and interest	\$ 866,620	\$ -	\$ 866,620	\$ 743,699	\$ 122,921
Capital projects fund	\$ 472,038	\$ 979,938	\$ 1,451,976	\$ 1,451,976	\$ -
Business Funds:					
Water operations	\$ 1,370,045	\$ -	\$ 1,370,045	\$ 971,219	\$ 398,826
Sewer operations	\$ 575,307	\$ -	\$ 575,307	\$ 566,376	\$ 8,931
Sanitation	\$ 298,069	\$ -	\$ 298,069	\$ 297,157	\$ 912

CITY OF TONGANOXIE, KANSAS
 GENERAL FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes	\$ 1,258,990	\$ 970,435	\$ 288,555
Intergovernmental	553,763	460,326	93,437
Licenses and permits	98,123	24,900	73,223
Fines and fees	183,257	448,000	(264,743)
Use of money and property	3,820	27,914	(24,094)
Charges for services	107,717	131,150	(23,433)
Miscellaneous	218,785	89,689	129,096
Transfers in	104,155	104,155	-
Total cash receipts	<u>2,528,610</u>	<u>\$ 2,256,569</u>	<u>\$ 272,041</u>
Expenditures:			
Administration	274,500	\$ 350,721	\$ (76,221)
Code enforcement	100,179	17,540	82,639
City planning and development	6,019	195,644	(189,625)
Police department	1,018,511	943,704	74,807
Fire department	452,547	484,268	(31,721)
Highway and streets	386,494	417,982	(31,488)
Swimming pool	155,170	121,881	33,289
Court services	81,168	59,350	21,818
Animal control	20,725	26,799	(6,074)
Debt management	82,138	82,138	-
Transfers out	91,000	-	91,000
Total expenditures	<u>2,668,451</u>	<u>\$ 2,700,027</u>	<u>\$ (31,576)</u>
Receipts over (under) expenditures	(139,841)		
Unencumbered cash, beginning of year	<u>390,383</u>		
Unencumbered cash, end of year	<u>\$ 250,542</u>		

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, 2014

	Actual	Budget	Variance - over (under)
Cash receipts:			
Intergovernmental	\$ 5,133	\$ 5,325	\$ (192)
Total cash receipts	<u>5,133</u>	<u>\$ 5,325</u>	<u>\$ (192)</u>
Expenditures:			
Contractual services	1,272	\$ 4,900	\$ (3,628)
Commodities	10	400	(390)
Capital outlay	<u>1,126</u>	<u>6,520</u>	<u>(5,394)</u>
Total expenditures	<u>2,408</u>	<u>\$ 11,820</u>	<u>\$ (9,412)</u>
Receipts over (under) expenditures	2,725		
Unencumbered cash, beginning of year	<u>11,214</u>		
Unencumbered cash, end of year	<u>\$ 13,939</u>		

CITY OF TONGANOXIE, KANSAS
SPECIAL HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2014

	Actual	Budget	Variance - over (under)
Cash receipts:			
Intergovernmental	\$ 173,688	\$ 147,750	\$ 25,938
Reimbursements	-	-	-
Total cash receipts	<u>173,688</u>	<u>\$ 147,750</u>	<u>\$ 25,938</u>
Expenditures:			
Contractual	3,550	250,000	(246,450)
Capital outlay	42,716	200,000	(157,284)
Debt service	<u>57,000</u>	<u>57,000</u>	<u>-</u>
Total expenditures	<u>103,266</u>	<u>\$ 507,000</u>	<u>\$ (403,734)</u>
Receipts over (under) expenditures	70,422		
Unencumbered cash, beginning of year	<u>208,317</u>		
Unencumbered cash, end of year	<u>\$ 278,739</u>		

CITY OF TONGANOXIE, KANSAS
LIBRARY OPERATIONS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2014

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes	\$ 311,377	\$ 359,263	\$ (47,886)
Reimbursements	37,291	38,389	(1,098)
Miscellaneous	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>
Total cash receipts	<u>348,668</u>	<u>\$ 407,652</u>	<u>\$ (58,984)</u>
Expenditures:			
Personnel services	-	\$ 38,389	\$ (38,389)
Contractual services	340,083	304,483	35,600
Miscellaneous	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>
Total expenditures	<u>340,083</u>	<u>\$ 352,872</u>	<u>\$ (12,789)</u>
Receipts over (under) expenditures	8,585		
Unencumbered cash, beginning of year	<u>-</u>		
Unencumbered cash, end of year	<u>\$ 8,585</u>		

CITY OF TONGANOXIE, KANSAS
 POLICE EQUIPMENT RESERVE FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	Actual
Cash receipts:	
Fines and fees	\$ 16,591
Grants and donations	10,539
Reimbursements	5,109
Miscellaneous	<u>71</u>
Total cash receipts	<u>32,310</u>
Expenditures:	
Commodities	1,437
Capital outlay	<u>17,312</u>
Total expenditures	<u>18,749</u>
Receipts over (under) expenditures	13,561
Unencumbered cash, beginning of year	<u>17,481</u>
Unencumbered cash, end of year	<u><u>\$ 31,042</u></u>

* This fund is not statutorily required to be budgeted. See Note 2a.

CITY OF TONGANOXIE, KANSAS
 FIRE EQUIPMENT RESERVE FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	<u>Actual</u>
Cash receipts:	
Special assessments	<u>\$ 76,733</u>
Total cash receipts	<u>76,733</u>
Expenditures:	
Contractual services	10
Capital outlay	<u>72,380</u>
Total expenditures	<u>72,390</u>
Receipts over (under) expenditures	4,343
Unencumbered cash, beginning of year	<u>110,245</u>
Unencumbered cash, end of year	<u><u>\$ 114,588</u></u>

* This fund is not statutorily required to be budgeted. See Note 2a.

CITY OF TONGANOXIE, KANSAS
LAW ENFORCEMENT TRUST FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2014

	Actual
Cash receipts:	
Intergovernmental	\$ 1,711
Seizures and forfeitures	<u>829</u>
Total cash receipts	<u>2,540</u>
Expenditures:	
Contractual services	6,401
Commodities	<u>11,448</u>
Total expenditures	<u>17,849</u>
Receipts over (under) expenditures	(15,309)
Unencumbered cash, beginning of year	<u>16,435</u>
Unencumbered cash, end of year	<u><u>\$ 1,126</u></u>

* This fund is not statutorily required to be budgeted. See Note 2a.

CITY OF TONGANOXIE, KANSAS
 TRANSIENT GUEST TAX FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	Actual	Budget	Variance - over (under)
Cash receipts:			
Intergovernmental	\$ 316	\$ 1,000	\$ (684)
Total cash receipts	<u>316</u>	<u>\$ 1,000</u>	<u>\$ (684)</u>
Expenditures:			
Contractual services	<u>320</u>	<u>\$ 3,525</u>	<u>\$ (3,205)</u>
Total expenditures	<u>320</u>	<u>\$ 3,525</u>	<u>\$ (3,205)</u>
Receipts over (under) expenditures	(4)		
Unencumbered cash, beginning of year	<u>4,190</u>		
Unencumbered cash, end of year	<u>\$ 4,186</u>		

CITY OF TONGANOXIE, KANSAS
 WATER PARK SALES TAX FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	Actual
Cash receipts:	
Sales tax	<u>\$ 379,002</u>
Total cash receipts	<u>379,002</u>
Expenditures:	
Transfer out	<u>379,001</u>
Total expenditures	<u>379,001</u>
Receipts over (under) expenditures	1
Unencumbered cash, beginning of year	<u>919</u>
Unencumbered cash, end of year	<u><u>\$ 920</u></u>

* This fund is not statutorily required to be budgeted. See Note 2a.

CITY OF TONGANOXIE, KANSAS
 INSURANCE PROCEEDS FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	Current year actual
Cash receipts:	
Fire insurance proceeds	<u>\$ 34,304</u>
Total cash receipts	<u>34,304</u>
Expenditures:	
Reimbursed expenses	<u>9,870</u>
Total expenditures	<u>9,870</u>
Receipts over (under) expenditures	24,434
Unencumbered cash, beginning of year	<u>-</u>
Unencumbered cash, end of year	<u><u>\$ 24,434</u></u>

*This fund is not statutorily required to be budgeted. See note 2a.

CITY OF TONGANOXIE, KANSAS
 GALLAGHER PARK FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	Actual
Cash receipts:	
Donations	\$ 550
Total cash receipts	<u>550</u>
Expenditures:	
Contractual services	<u>-</u>
Total expenditures	<u>-</u>
Receipts over (under) expenditures	550
Unencumbered cash, beginning of year	<u>-</u>
Unencumbered cash, end of year	<u><u>\$ 550</u></u>

*This fund is not statutorily required to be budgeted. See note 2a.

CITY OF TONGANOXIE, KANSAS
 BOND AND INTEREST FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes	\$ 387,987	\$ 385,944	\$ 2,043
Transfers in	<u>379,001</u>	<u>356,000</u>	<u>23,001</u>
Total cash receipts	<u>766,988</u>	<u>\$ 741,944</u>	<u>\$ 25,044</u>
Expenditures:			
Debt service	<u>743,699</u>	<u>866,620</u>	<u>(122,921)</u>
Total expenditures	<u>743,699</u>	<u>\$ 866,620</u>	<u>\$ (122,921)</u>
Receipts over (under) expenditures	23,289		
Unencumbered cash, beginning of year	<u>163,495</u>		
Unencumbered cash, end of year	<u>\$ 186,784</u>		

CITY OF TONGANOXIE, KANSAS
 CAPITAL PROJECTS FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	Actual	Budget	Variance - over (under)
Cash receipts:			
Intergovernmental	\$ 1,129,640	\$ 350,000	\$ 779,640
Other revenues	142,151	-	142,151
Transfers in	91,000	-	\$ 91,000
Total cash receipts	<u>1,362,791</u>	<u>\$ 350,000</u>	<u>\$ 1,012,791</u>
Expenditures:			
Commodities	-	\$ 167,038	\$ (167,038)
Capital outlay	1,151,976	5,000	1,146,976
Debt service	300,000	300,000	-
Adjustment for qualifying budget credits			
Funds received in excess of budget	-	979,938	(979,938)
Total expenditures	<u>1,451,976</u>	<u>\$ 1,451,976</u>	<u>\$ -</u>
Receipts over (under) expenditures	(89,185)		
Unencumbered cash, beginning of year	<u>89,211</u>		
Unencumbered cash, end of year	<u>\$ 26</u>		

CITY OF TONGANOXIE, KANSAS
 CAPITAL RESERVE FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	Actual
Cash receipts:	
Grants and donations	\$ 272,908
Other revenues	<u>33,925</u>
Total cash receipts	<u>306,833</u>
Expenditures:	
Contractual services	33,675
Capital outlay	<u>272,908</u>
Total expenditures	<u>306,583</u>
Receipts over (under) expenditures	250
Unencumbered cash, beginning of year	<u>665</u>
Unencumbered cash, end of year	<u><u>\$ 915</u></u>

* This fund is not statutorily required to be budgeted. See Note 2a.

CITY OF TONGANOXIE, KANSAS
WATER OPERATIONS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2014

	Actual	Budget	Variance - over (under)
Cash receipts:			
Charges for services	\$ 1,038,664	\$ 1,123,300	\$ (84,636)
Use of money and property	<u>10,832</u>	<u>500</u>	<u>10,332</u>
Total cash receipts	<u>1,049,496</u>	<u>\$ 1,123,800</u>	<u>\$ (74,304)</u>
Expenditures:			
Production and distribution	595,008	697,214	(102,206)
Debt service	320,235	307,243	12,992
Transfers out	<u>55,976</u>	<u>118,988</u>	<u>(63,012)</u>
Total expenditures	<u>971,219</u>	<u>\$ 1,123,445</u>	<u>\$ (152,226)</u>
Receipts over (under) expenditures	78,277		
Unencumbered cash, beginning of year	<u>228,673</u>		
Unencumbered cash, end of year	<u>\$ 306,950</u>		

CITY OF TONGANOXIE, KANSAS
 WATER CAPITAL IMPROVEMENT FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	Actual
Cash receipts:	
Charges for services	\$ 17,000
Lease proceeds	2,875
Use of money and property	12,000
Transfers in	-
Total cash receipts	<u>31,875</u>
Expenditures:	
Capital outlay	<u>235,640</u>
Total expenditures	<u>235,640</u>
Receipts over (under) expenditures	(203,765)
Unencumbered cash, beginning of year	<u>486,364</u>
Unencumbered cash, end of year	<u><u>\$ 282,599</u></u>

* This fund is not statutorily required to be budgeted. See Note 2a.

CITY OF TONGANOXIE, KANSAS
 SEWER OPERATIONS FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	Actual	Budget	Variance - over (under)
Cash receipts:			
Charges for services	\$ 647,200	\$ 696,350	\$ (49,150)
Use of money and property	-	-	-
Total cash receipts	<u>647,200</u>	<u>\$ 696,350</u>	<u>\$ (49,150)</u>
Expenditures:			
Plant operating costs	283,583	\$ 355,733	\$ (72,150)
Capital outlay	5,294	1,000	4,294
Debt service	229,320	232,152	(2,832)
Transfers out	<u>48,179</u>	<u>106,459</u>	<u>(58,280)</u>
Total expenditures	<u>566,376</u>	<u>\$ 695,344</u>	<u>\$ (128,968)</u>
Receipts over (under) expenditures	80,824		
Unencumbered cash, beginning of year	<u>115,823</u>		
Unencumbered cash, end of year	<u>\$ 196,647</u>		

CITY OF TONGANOXIE, KANSAS
 SEWER CAPITAL IMPROVEMENT FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	Actual
Cash receipts:	
Charges for services	<u>\$ 24,750</u>
Total cash receipts	<u>24,750</u>
Expenditures:	
Capital outlay	<u>3,144</u>
Total expenditures	<u>3,144</u>
Receipts over (under) expenditures	21,606
Unencumbered cash, beginning of year	<u>255,220</u>
Unencumbered cash, end of year	<u><u>\$ 276,826</u></u>

* This fund is not statutorily required to be budgeted. See Note 2a.

CITY OF TONGANOXIE, KANSAS
 SANITATION FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2014

	Actual	Budget	Variance - over (under)
Cash receipts:			
Charges for services	<u>\$ 319,798</u>	<u>\$ 315,000</u>	<u>\$ 4,798</u>
Total cash receipts	<u>319,798</u>	<u>\$ 315,000</u>	<u>\$ 4,798</u>
Expenditures:			
Contractual services	<u>297,157</u>	<u>298,069</u>	<u>(912)</u>
Total expenditures	<u>297,157</u>	<u>\$ 298,069</u>	<u>\$ (912)</u>
Receipts over (under) expenditures	22,641		
Unencumbered cash, beginning of year	<u>40,250</u>		
Unencumbered cash, end of year	<u>\$ 62,891</u>		

CITY OF TONGANOXIE, KANSAS
 AGENCY FUNDS
 Summary of Receipts and Disbursements
 Regulatory Basis
 For the year ended December 31, 2014

	Beginning cash balance	Receipts	Disbursements	Ending cash balance
Payroll clearing	\$ 5,667	\$ 1,596,596	\$ 1,588,547	\$ 13,716
Bail bonds	7,546	3,730	3,900	7,376
Revolving loan	<u>27,075</u>	<u>9,606</u>	<u>-</u>	<u>36,681</u>
Total agency funds	<u>\$ 40,288</u>	<u>\$ 1,609,932</u>	<u>\$ 1,592,447</u>	<u>\$ 57,773</u>

COMPLIANCE SECTION

CITY OF TONGANOXIE, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2014

Federal Grantor/Pass-Through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>		
Passed through the Kansas Department of Transportation		
Highway Planning and Construction	20.205	\$ 578,768
State and Community Highway Safety	20.600	<u>3,580</u>
Total U.S. Department of Transportation		<u>582,348</u>
<u>U.S. Department of Justice</u>		
Public Safety Partnership and Community Policing Grant	16.710	<u>41,750</u>
Total U.S. Department of Justice		<u>41,750</u>
Total expenditures of federal awards		<u>\$ 624,098</u>

CITY OF TONGANOXIE, KANSAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2014

1. Basis of accounting

a. Regulatory Basis of accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The 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 adopted a resolution in accordance with K.S.A. 75-1120a to waive reporting in accordance with accounting principles generally accepted in the United States of America, which allows the City to utilize the regulatory basis of accounting.



Kramer & Associates CPAs, LLC

Making the right move for your business

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Dana Splachal, CPA
John Vohs, CPA

INDEPENDENT AUDITORS' 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

To the Mayor and City Council
City of Tonganoxie, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of Tonganoxie, Kansas, (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated October 5, 2015. That financial statement was prepared on the regulatory basis of accounting as prescribed by the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Independent Auditors' Report expressed an unqualified opinion with respect to the regulatory basis of accounting, and an adverse opinion on the application of accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, 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 statement, 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 control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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. Given those 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 statement is 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 October 5, 2015.

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 City'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.

KRAMER & ASSOCIATES CPAs, LLC

Kramer & Associates CPAs, LLC
Leavenworth, Kansas
October 5, 2015



Kramer & Associates CPAs, LLC

Making the right move for your business

Tony Kramer, CPA
Joseph J. Wood, CPA

Sherrie Hodges, CPA
Theresa Megee, CPA
Amy Schwinn, CPA
Dana Splichal, CPA
John Vohs, CPA

INDEPENDENT AUDITORS' 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 City of Tonganoxie, Kansas, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2014. The City's major federal programs are identified in the summary of auditors' 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 major federal programs.

Auditors' 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 Kansas Municipal Audit and Accounting Guide; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program 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 consider 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 of 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, 2014.

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 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.

KRAMER & ASSOCIATES CPAs, LLC

Kramer & Associates CPAs, LLC
Leavenworth, Kansas
October 5, 2015

CITY OF TONGANOXIE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2014

A. Summary of Audit Results

1. The Independent Auditors' Report expressed an unqualified opinion on the financial statement of the City of Tonganoxie, Kansas with respect to the regulatory basis of accounting of the State of Kansas and an adverse opinion on the application of accounting principles generally accepted in the United States of America.
2. No deficiencies in internal control over financial reporting were considered to be material weaknesses. There were no significant deficiencies in internal control over financial reporting reported in our Independent Auditors' 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.
3. No instances of noncompliance material to the financial statement of the City of Tonganoxie, Kansas were noted during the audit.
4. No deficiencies in internal control over major award programs were considered to be material weaknesses. There were no significant deficiencies in internal control over major programs reported in our Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 expressed an unqualified opinion for each major federal award program for the City of Tonganoxie, Kansas.
6. There are no audit findings that are required to be disclosed in accordance with Section 510(a) of OMB Circular A-133 in this schedule.
7. The programs tested as major programs included:
United States Department of Transportation

CFDA No.	Title
20.205	Highway Planning and Construction
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. City of Tonganoxie, Kansas, did not qualify as a low-risk auditee.

B. Findings - Financial Statement Audit

No matters were noted.

C. Findings and questioned costs - Major Federal Awards Programs Audit

No matters were noted.

CITY OF TONGANOXIE, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended December 31, 2014

Findings - Financial Statement Audit

No matters were noted.

Findings and questioned costs - Major Federal Awards Programs Audit

No matters were noted.