

CITY OF TONGANOXIE, KANSAS

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FINANCIAL STATEMENT  
(with Independent Auditors' Report thereon)

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For the Year Ended December 31, 2015

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CITY OF TONGANOXIE, KANSAS  
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# *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 Spichal, CPA  
Jake Wisdom, CPA*

## 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, 2015 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, 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 includes 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, 2015, 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, 2015, 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*. 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.

*Kramer & Associates CPAs, LLC*

Kramer & Associates CPAs, LLC  
Leavenworth, Kansas  
September 6, 2016

CITY OF TONGANOXIE, KANSAS  
Summary Statement of Receipts, Expenditures, and Unencumbered Cash  
Regulatory Basis  
For the year ended December 31, 2015

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	\$ 250,542	\$ -	\$ 2,678,389	\$ 2,483,061	\$ 445,870	\$ (12,463)	\$ 433,407
Special purpose funds:							
Special parks and recreation	13,939	-	4,290	3,402	14,827	-	14,827
Special highway	278,739	-	168,208	312,219	134,728	-	134,728
Library operations	8,585	-	337,454	339,169	6,870	(354)	6,516
Police department equipment reserve	31,042	-	30,212	19,985	41,269	(1,500)	39,769
Fire department equipment reserve	114,589	-	82,238	107,515	89,312	900	90,212
Law enforcement trust	1,126	-	6,130	1,415	5,841	-	5,841
Transient guest tax	4,186	-	1,342	-	5,528	-	5,528
Water park sales tax	920	-	372,637	372,637	920	-	920
Insurance proceeds	24,434	-	12,117	12,117	24,434	-	24,434
Gallagher Park	550	-	32,072	13,462	19,160	-	19,160
Debt service fund:							
Bond and interest	186,784	-	761,996	719,420	229,360	-	229,360
Capital projects funds:							
Capital projects	26	-	698,643	487,363	211,306	4,500	215,806
Capital reserve	915	-	-	-	915	-	915
Business funds:							
Water operations	306,950	-	1,083,535	1,064,965	325,520	1,268	326,788
Water capital improvement	282,599	-	26,700	62,002	247,297	-	247,297
Sewer operations	196,647	-	704,623	685,544	215,726	4,185	219,911
Sewer capital improvement	276,826	-	28,875	39,272	266,429	-	266,429
Sanitation	62,891	-	331,562	288,094	106,359	-	106,359
Total reporting entity (excluding agency fund)	<u>\$ 2,042,290</u>	<u>\$ -</u>	<u>\$ 7,361,023</u>	<u>\$ 7,011,642</u>	<u>\$ 2,391,671</u>	<u>\$ (3,464)</u>	<u>\$ 2,388,207</u>
Composition of cash:					General checking		\$ 2,117,655
					Certificate of deposit		63,576
					Revolving loan		40,638
					Investments		<u>233,122</u>
					Total cash		2,454,991
					Less agency funds		<u>(66,784)</u>
					Total reporting entity (excluding agency funds)		<u>\$ 2,388,207</u>

CITY OF TONGANOXIE, KANSAS  
Notes to the Financial Statement  
For the year ended December 31, 2015

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, 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, 2015:

- 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.).

1. Summary of significant accounting policies (continued)

f. Ad valorem tax revenues

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied as of November 1 and become delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the City, is on or before January 20 of the ensuing year. Additional amounts are distributed on four (4) subsequent dates throughout the calendar year.

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.



2. Stewardship, compliance, and accountability (continued)

a. Budgetary information (continued)

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, Insurance Proceeds, 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.

b. Compliance with Kansas Statutes

The City's Capital Projects fund expenditures were in excess of the budgeted limit (K.S.A. 79-2935) Refer to Schedule 2.13. At various times throughout the year, bank deposits were under-secured at First State Bank & Trust. (K.S.A. 9-1402). Management is not aware of any other statutory violations for the period covered by the audit.

3. Deposits and investments

As of December 31, 2015, 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>233,127</u>	S&P AA+ / S1+
Total	\$ <u>233,127</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.

3. Deposits and investments (continued)

*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, 2015, is as follows:

Investments	Percentage of Investments
Kansas Municipal Investment Pool	<u>100%</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, 2015.

At December 31, 2015, the City's carrying amount of deposits was \$2,221,868 and the bank balance was \$2,252,625. 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 \$2,002,625 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.

3. Deposits and investments (continued)

At December 31, 2015, City had invested \$233,127 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, 2015 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, 2015, 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	\$ 75,000	\$ -	\$ (10,000)	\$ 65,000	\$ 4,262
Series 2002	3.50%-4.50%	12/01/2002	\$ 1,510,000	12/01/2016	260,000	-	(125,000)	135,000	11,575
Series 2006A	3.70%-4.10%	07/15/2006	\$ 370,000	09/01/2016	90,000	-	(45,000)	45,000	3,690
Series 2007A	3.55%-3.95%	10/15/2007	\$ 1,720,000	09/01/2022	1,390,000	-	(115,000)	1,275,000	52,948
Series 2007B	3.50%-3.70%	10/15/2007	\$ 2,990,000	09/01/2017	1,255,000	-	(380,000)	875,000	45,943
Series 2009A	2.80%-4.75%	04/01/2009	\$ 1,350,000	09/01/2029	1,140,000	-	(60,000)	1,080,000	47,363
Series 2010A	2.25%-3.15%	05/10/2010	\$ 1,075,000	09/01/2020	995,000	-	(85,000)	910,000	28,095
Series 2013A	2.25%-4.30%	01/29/2013	\$ 1,760,000	07/01/2033	1,760,000	-	(70,000)	1,690,000	58,830
Series 2013B	2.00-2.70%	01/29/2013	\$ 6,355,000	08/01/2031	5,950,000	-	(270,000)	5,680,000	123,478
Capital leases:									
2006 Fire Trucks	4.93%	12/01/2006	\$ 400,000	9/17/2017	111,990	-	(43,243)	68,747	4,961
2011 Ford F250	3.72%	05/17/2010	\$ 35,000	07/01/2018	16,367	-	(5,233)	11,134	568
Motorola Radio	0.00%	08/27/2010	\$ 87,537	08/01/2017	45,442	-	(15,147)	30,295	-
Total long-term debt					<u>\$13,088,799</u>	<u>\$ -</u>	<u>\$ (1,223,623)</u>	<u>\$11,865,176</u>	<u>\$ 381,713</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,									
	2016	2017	2018	2019	2020	2021-2025	2026-2030	2031-2035	Total
<b>Principal:</b>									
G.O. Bonds:									
Series 2000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 15,000	\$ -	\$ -	\$ 65,000
Series 2002	135,000	-	-	-	-	-	-	-	135,000
Series 2006A	45,000	-	-	-	-	-	-	-	45,000
Series 2007A	140,000	145,000	150,000	190,000	205,000	445,000	-	-	1,275,000
Series 2007B	415,000	460,000	-	-	-	-	-	-	875,000
Series 2009A	60,000	60,000	65,000	65,000	70,000	385,000	375,000	-	1,080,000
Series 2010A	85,000	85,000	235,000	250,000	255,000	-	-	-	910,000
Series 2013A	75,000	80,000	80,000	80,000	85,000	435,000	510,000	345,000	1,690,000
Series 2013B	360,000	385,000	385,000	395,000	400,000	2,865,000	765,000	125,000	5,680,000
Capital leases:									
2006 Fire Trucks	45,319	23,428	-	-	-	-	-	-	68,747
2011 Ford F250	5,438	5,696	-	-	-	-	-	-	11,134
Motorola Radio	15,147	15,148	-	-	-	-	-	-	30,295
Total principal	1,390,904	1,269,272	925,000	990,000	1,025,000	4,145,000	1,650,000	470,000	11,865,176
<b>Interest:</b>									
G.O. Bonds:									
Series 2000	\$ 3,712	\$ 3,163	\$ 2,587	\$ 2,013	\$ 2,300	\$ 2,301	\$ -	\$ -	\$ 16,076
Series 2002	6,075	-	-	-	-	-	-	-	6,075
Series 2006A	1,845	-	-	-	-	-	-	-	1,845
Series 2007A	48,750	43,570	38,205	32,580	51,715	51,715	-	-	266,535
Series 2007B	32,167	17,020	-	-	-	-	-	-	49,187
Series 2009A	45,563	43,643	41,602	39,262	36,825	139,715	44,905	-	391,515
Series 2010A	26,140	24,185	22,230	15,532	8,033	-	-	-	96,120
Series 2013A	57,255	55,568	53,767	51,967	49,968	174,670	152,408	49,053	644,656
Series 2013B	118,077	110,878	103,177	95,478	87,578	285,588	73,413	3,375	877,564
Capital leases:									
2006 Fire Trucks	2,885	684	-	-	-	-	-	-	3,569
2011 Ford F250	370	162	-	-	-	-	-	-	532
Motorola Radio	-	-	-	-	-	-	-	-	-
Total interest	342,839	298,873	261,568	236,832	236,419	653,989	270,726	52,428	2,353,674
Total payments	<u>\$ 1,733,743</u>	<u>\$ 1,568,145</u>	<u>\$ 1,186,568</u>	<u>\$ 1,226,832</u>	<u>\$ 1,261,419</u>	<u>\$ 4,798,989</u>	<u>\$ 1,920,726</u>	<u>\$ 522,428</u>	<u>\$ 14,218,850</u>

5. Interfund transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Capital Projects	General	K.S.A. 12-1,118	\$ 91,000
Water Operations	General	K.S.A. 12-825d	89,241
Sewer Operations	General	K.S.A. 12-825d	106,459
Capital Projects	Gallagher Park Project		10,000
Water Park Sales Tax	Bond and Interest	Bond Ordinance	<u>372,637</u>
Total fund transfers			<u>\$ 669,337</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, 2015 is \$66,338. 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.* Kansas law establishes and amends benefit provisions. 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. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS(611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

7. Defined benefit pension plan (continued)

b. Contributions

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.48% for the fiscal year ended December 31, 2015. Contributions to the pension plan from the City were \$162,117 for the year ended December 31, 2015.

c. Net pension liability

At December 31, 2015, the City's proportionate share of the collective net pension liability reported by KPERS was \$1,133,840. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

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.

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. 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 2015:

<u>Issue</u>	<u>Beginning principal outstanding</u>	<u>Additions (reductions)</u>	<u>Ending principal outstanding</u>
TRC Lease	\$ 397,821	\$ (66,404)	\$ 331,417

11. 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.



11. 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.

12. Subsequent event

Subsequent to year end, the City purchased and renovated facilities for a new city hall and a new police station. 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, and no other matters were noted.

CITY OF TONGANOXIE, KANSAS  
Summary of Expenditures - Actual and Budget  
Regulatory Basis  
For the year ended December 31, 2015

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	\$ 3,003,162	\$ -	\$ 3,003,162	\$ 2,483,061	\$ 520,101
Special purpose funds:					
Special parks and recreation	\$ 16,000	\$ -	\$ 16,000	\$ 3,402	\$ 12,598
Special highway	\$ 358,166	\$ -	\$ 358,166	\$ 312,219	\$ 45,947
Library operations	\$ 426,025	\$ -	\$ 426,025	\$ 339,169	\$ 86,856
Transient guest tax	\$ 8,591	\$ -	\$ 8,591	\$ -	\$ 8,591
Debt service funds:					
Bond and interest	\$ 892,421	\$ -	\$ 892,421	\$ 719,420	\$ 173,001
Capital projects fund	\$ 415,420	\$ -	\$ 415,420	\$ 487,363	\$ (71,943)
Business Funds:					
Water operations	\$ 1,423,445	\$ -	\$ 1,423,445	\$ 1,064,965	\$ 358,480
Sewer operations	\$ 895,344	\$ -	\$ 895,344	\$ 685,544	\$ 209,800
Sanitation	\$ 472,262	\$ -	\$ 472,262	\$ 288,094	\$ 184,168

## CITY OF TONGANOXIE, KANSAS

## GENERAL FUND

## SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

## REGULATORY BASIS

For the Year Ended December 31, 2015

	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes	\$ 1,342,463	\$ 1,402,528	\$ (60,065)
Intergovernmental	538,872	526,200	12,672
Licenses and permits	61,901	42,400	19,501
Fines and fees	188,722	190,000	(1,278)
Use of money and property	11,527	26,500	(14,973)
Charges for services	100,130	131,150	(31,020)
Miscellaneous	148,074	145,750	2,324
Transfers in	286,700	225,447	61,253
Total cash receipts	<u>2,678,389</u>	<u>\$ 2,689,975</u>	<u>\$ (11,586)</u>
Expenditures:			
Administration	275,930	\$ 302,513	\$ (26,583)
Code enforcement	78,112	62,351	15,761
City planning and development	19,455	292,575	(273,120)
Police department	922,669	1,073,344	(150,675)
Fire department	568,637	574,426	(5,789)
Highway and streets	281,573	326,967	(45,394)
Swimming pool	147,252	138,079	9,173
Court services	83,456	74,407	9,049
Animal control	23,105	26,362	(3,257)
Mayor and council	733	-	733
Debt management	82,139	82,138	1
Transfers out	-	50,000	(50,000)
Total expenditures	<u>2,483,061</u>	<u>\$ 3,003,162</u>	<u>\$ (520,101)</u>
Receipts over (under) expenditures	195,328		
Unencumbered cash, beginning of year	<u>250,542</u>		
Unencumbered cash, end of year	<u>\$ 445,870</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, 2015

	Actual	Budget	Variance - over (under)
Cash receipts:			
Intergovernmental	\$ 4,290	\$ 6,200	\$ (1,910)
Total cash receipts	<u>4,290</u>	<u>\$ 6,200</u>	<u>\$ (1,910)</u>
Expenditures:			
Contractual services	3,090	\$ 6,000	\$ (2,910)
Commodities	-	-	-
Capital outlay	<u>312</u>	<u>10,000</u>	<u>(9,688)</u>
Total expenditures	<u>3,402</u>	<u>\$ 16,000</u>	<u>\$ (12,598)</u>
Receipts over (under) expenditures	888		
Unencumbered cash, beginning of year	<u>13,939</u>		
Unencumbered cash, end of year	<u>\$ 14,827</u>		

CITY OF TONGANOXIE, KANSAS  
SPECIAL HIGHWAY FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
For the Year Ended December 31, 2015

	Actual	Budget	Variance - over (under)
Cash receipts:			
Intergovernmental	\$ 168,208	\$ 161,130	\$ 7,078
Reimbursements	<u>-</u>	<u>1,700</u>	<u>(1,700)</u>
Total cash receipts	<u>168,208</u>	<u>\$ 162,830</u>	<u>\$ 5,378</u>
Expenditures:			
Contractual	-	-	-
Capital outlay	257,744	300,000	(42,256)
Debt service	<u>54,475</u>	<u>58,166</u>	<u>(3,691)</u>
Total expenditures	<u>312,219</u>	<u>\$ 358,166</u>	<u>\$ (45,947)</u>
Receipts over (under) expenditures	(144,011)		
Unencumbered cash, beginning of year	<u>278,739</u>		
Unencumbered cash, end of year	<u>\$ 134,728</u>		

CITY OF TONGANOXIE, KANSAS  
LIBRARY OPERATIONS FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
For the Year Ended December 31, 2015

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes	\$ 302,383	\$ 316,025	\$ (13,642)
Reimbursements	35,071	110,000	(74,929)
Total cash receipts	<u>337,454</u>	<u>\$ 426,025</u>	<u>\$ (88,571)</u>
Expenditures:			
Contractual services	<u>339,169</u>	<u>426,025</u>	<u>(86,856)</u>
Total expenditures	<u>339,169</u>	<u>\$ 426,025</u>	<u>\$ (86,856)</u>
Receipts over (under) expenditures	(1,715)		
Unencumbered cash, beginning of year	<u>8,585</u>		
Unencumbered cash, end of year	<u>\$ 6,870</u>		

CITY OF TONGANOXIE, KANSAS  
 POLICE EQUIPMENT RESERVE FUND\*  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL  
 REGULATORY BASIS  
 For the Year Ended December 31, 2015

	Actual
Cash receipts:	
Fines and fees	\$ 10,390
Grants and donations	1,150
Reimbursements	12,672
Miscellaneous	<u>6,000</u>
Total cash receipts	<u>30,212</u>
Expenditures:	
Commodities	1,250
Capital outlay	<u>18,735</u>
Total expenditures	<u>19,985</u>
Receipts over (under) expenditures	10,227
Unencumbered cash, beginning of year	<u>31,042</u>
Unencumbered cash, end of year	<u><u>\$ 41,269</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, 2015

	<u>Actual</u>
Cash receipts:	
Special assessments	\$ 81,788
Miscellaneous	<u>450</u>
Total cash receipts	<u>82,238</u>
Expenditures:	
Contractual services	-
Capital outlay	<u>107,515</u>
Total expenditures	<u>107,515</u>
Receipts over (under) expenditures	(25,277)
Unencumbered cash, beginning of year	<u>114,589</u>
Unencumbered cash, end of year	<u><u>\$ 89,312</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, 2015

	Actual
Cash receipts:	
Intergovernmental	\$ 450
Seizures and forfeitures	<u>5,680</u>
Total cash receipts	<u>6,130</u>
Expenditures:	
Contractual services	1,415
Commodities	<u>-</u>
Total expenditures	<u>1,415</u>
Receipts over (under) expenditures	4,715
Unencumbered cash, beginning of year	<u>1,126</u>
Unencumbered cash, end of year	<u><u>\$ 5,841</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, 2015

	Actual	Budget	Variance - over (under)
Cash receipts:			
Intergovernmental	\$ 1,342	\$ 5,000	\$ (3,658)
Total cash receipts	<u>1,342</u>	<u>\$ 5,000</u>	<u>\$ (3,658)</u>
Expenditures:			
Contractual services	<u>-</u>	<u>\$ 8,591</u>	<u>\$ (8,591)</u>
Total expenditures	<u>-</u>	<u>\$ 8,591</u>	<u>\$ (8,591)</u>
Receipts over (under) expenditures	1,342		
Unencumbered cash, beginning of year	<u>4,186</u>		
Unencumbered cash, end of year	<u>\$ 5,528</u>		

CITY OF TONGANOXIE, KANSAS  
 WATER PARK SALES TAX FUND\*  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL  
 REGULATORY BASIS  
 For the Year Ended December 31, 2015

	Actual
Cash receipts:	
Sales tax	<u>\$ 372,637</u>
Total cash receipts	<u>372,637</u>
Expenditures:	
Transfer out	<u>372,637</u>
Total expenditures	<u>372,637</u>
Receipts over (under) expenditures	-
Unencumbered cash, beginning of year	<u>920</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, 2015

	Current year actual
Cash receipts:	
Fire insurance proceeds	\$ 12,117
Total cash receipts	<u>12,117</u>
Expenditures:	
Reimbursed expenses	12,117
Commodities	-
Capital outlay	<u>-</u>
Total expenditures	<u>12,117</u>
Receipts over (under) expenditures	-
Unencumbered cash, beginning of year	<u>24,434</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, 2015

	Actual
Cash receipts:	
Donations	\$ 22,072
Transfers in	10,000
Total cash receipts	<u>32,072</u>
Expenditures:	
Contractual services	-
Commodities	-
Capital outlay	<u>13,462</u>
Total expenditures	<u>13,462</u>
Receipts over (under) expenditures	18,610
Unencumbered cash, beginning of year	<u>550</u>
Unencumbered cash, end of year	<u><u>\$ 19,160</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, 2015

	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes	\$ 389,359	\$ 387,397	\$ 1,962
Transfers in	<u>372,637</u>	<u>359,000</u>	<u>13,637</u>
Total cash receipts	<u>761,996</u>	<u>\$ 746,397</u>	<u>\$ 15,599</u>
Expenditures:			
Debt service	<u>719,420</u>	<u>892,421</u>	<u>(173,001)</u>
Total expenditures	<u>719,420</u>	<u>\$ 892,421</u>	<u>\$ (173,001)</u>
Receipts over (under) expenditures	42,576		
Unencumbered cash, beginning of year	<u>186,784</u>		
Unencumbered cash, end of year	<u>\$ 229,360</u>		

CITY OF TONGANOXIE, KANSAS  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 REGULATORY BASIS  
 For the Year Ended December 31, 2015

	Actual	Budget	Variance - over (under)
Cash receipts:			
Intergovernmental	\$ 440,794	\$ 370,000	\$ 70,794
Other revenues	257,849	-	257,849
Transfers in	-	-	-
Total cash receipts	<u>698,643</u>	<u>\$ 370,000</u>	<u>\$ 328,643</u>
Expenditures:			
Commodities	279	\$ 46,000	\$ (45,721)
Capital outlay	66,882	50,000	16,882
Debt service	319,202	319,420	(218)
Transfers out	<u>101,000</u>	<u>-</u>	<u>101,000</u>
Total expenditures	<u>487,363</u>	<u>\$ 415,420</u>	<u>\$ 71,943</u>
Receipts over (under) expenditures	211,280		
Unencumbered cash, beginning of year	<u>26</u>		
Unencumbered cash, end of year	<u>\$ 211,306</u>		

CITY OF TONGANOXIE, KANSAS  
 CAPITAL RESERVE FUND\*  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL  
 REGULATORY BASIS  
 For the Year Ended December 31, 2015

	Actual
Cash receipts:	
Grants and donations	\$ -
Other revenues	-
Total cash receipts	-
Expenditures:	
Contractual services	-
Capital outlay	-
Total expenditures	-
Receipts over (under) expenditures	-
Unencumbered cash, beginning of year	915
Unencumbered cash, end of year	\$ 915

\* 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, 2015

	Actual	Budget	Variance - over (under)
Cash receipts:			
Charges for services	\$ 1,083,473	\$ 1,123,300	\$ (39,827)
Use of money and property	62	500	(438)
Total cash receipts	<u>1,083,535</u>	<u>\$ 1,123,800</u>	<u>\$ (40,265)</u>
Expenditures:			
Production and distribution	666,636	997,214	(330,578)
Debt service	309,088	307,243	1,845
Transfers out	<u>89,241</u>	<u>118,988</u>	<u>(29,747)</u>
Total expenditures	<u>1,064,965</u>	<u>\$ 1,423,445</u>	<u>\$ (358,480)</u>
Receipts over (under) expenditures	18,570		
Unencumbered cash, beginning of year	<u>306,950</u>		
Unencumbered cash, end of year	<u>\$ 325,520</u>		

CITY OF TONGANOXIE, KANSAS  
WATER CAPITAL IMPROVEMENT FUND\*  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL  
REGULATORY BASIS  
For the Year Ended December 31, 2015

	Actual
Cash receipts:	
Charges for services	\$ 20,000
Lease proceeds	-
Use of money and property	<u>6,700</u>
Total cash receipts	<u>26,700</u>
Expenditures:	
Capital outlay	<u>62,002</u>
Total expenditures	<u>62,002</u>
Receipts over (under) expenditures	(35,302)
Unencumbered cash, beginning of year	<u>282,599</u>
Unencumbered cash, end of year	<u><u>\$ 247,297</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, 2015

	Actual	Budget	Variance - over (under)
Cash receipts:			
Charges for services	\$ 704,623	\$ 696,350	\$ 8,273
Total cash receipts	<u>704,623</u>	<u>\$ 696,350</u>	<u>\$ 8,273</u>
Expenditures:			
Plant operating costs	344,761	\$ 355,733	\$ (10,972)
Capital outlay	2,172	201,000	(198,828)
Debt service	232,152	232,152	-
Transfers out	<u>106,459</u>	<u>106,459</u>	<u>-</u>
Total expenditures	<u>685,544</u>	<u>\$ 895,344</u>	<u>\$ (209,800)</u>
Receipts over (under) expenditures	19,079		
Unencumbered cash, beginning of year	<u>196,647</u>		
Unencumbered cash, end of year	<u>\$ 215,726</u>		

CITY OF TONGANOXIE, KANSAS  
 SEWER CAPITAL IMPROVEMENT FUND\*  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL  
 REGULATORY BASIS  
 For the Year Ended December 31, 2015

	Actual
Cash receipts:	
Charges for services	<u>\$ 28,875</u>
Total cash receipts	<u>28,875</u>
Expenditures:	
Capital outlay	<u>39,272</u>
Total expenditures	<u>39,272</u>
Receipts over (under) expenditures	(10,397)
Unencumbered cash, beginning of year	<u>276,826</u>
Unencumbered cash, end of year	<u><u>\$ 266,429</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, 2015

	Actual	Budget	Variance - over (under)
Cash receipts:			
Charges for services	\$ 331,562	\$ 415,000	\$ (83,438)
Total cash receipts	<u>331,562</u>	<u>\$ 415,000</u>	<u>\$ (83,438)</u>
Expenditures:			
Personnel services	23,562	23,562	-
Contractual services	264,532	272,700	(8,168)
Commodities	<u>-</u>	<u>176,000</u>	<u>(176,000)</u>
Total expenditures	<u>288,094</u>	<u>\$ 472,262</u>	<u>\$ (184,168)</u>
Receipts over (under) expenditures	43,468		
Unencumbered cash, beginning of year	<u>62,891</u>		
Unencumbered cash, end of year	<u>\$ 106,359</u>		

CITY OF TONGANOXIE, KANSAS  
 AGENCY FUNDS  
 Summary of Receipts and Disbursements  
 Regulatory Basis  
 For the year ended December 31, 2015

	Beginning cash balance	Receipts	Disbursements	Ending cash balance
Payroll clearing	\$ 13,716	\$ 1,644,632	\$ 1,640,428	\$ 17,920
Bail bonds	7,376	3,510	2,660	8,226
Revolving loan	<u>36,681</u>	<u>3,957</u>	<u>-</u>	<u>40,638</u>
Total agency funds	<u>\$ 57,773</u>	<u>\$ 1,652,099</u>	<u>\$ 1,643,088</u>	<u>\$ 66,784</u>