

**CITY OF TONGANOXIE, KANSAS**

**FINANCIAL STATEMENTS**

Year ended December 31, 2005

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CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENTS  
Year ended December 31, 2005

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Mayor and City Council  
City of Tonganoxie, Kansas

We have audited the accompanying primary government financial statements of the City of Tonganoxie, Kansas (the City), as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Tonganoxie, Kansas. Our responsibility is to express an opinion on these financial statements based on our audit.

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

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The primary government financial statements referred to above do not include the financial data of component units of the City of Tonganoxie, Kansas as of December 31, 2005.

As described in Note 1, the City of Tonganoxie, Kansas prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the omission of the financial data of component units of the City of Tonganoxie, Kansas, and, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Tonganoxie, Kansas, as of December 31, 2005, or the respective changes in financial position for the year then ended.

Also, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Tonganoxie, Kansas, as of December 31, 2005, and its cash receipts and expenditures, for the year then ended on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the mayor, city council, and management of the City of Tonganoxie, Kansas and for filing with the State of Kansas and is not intended for and should not be used by anyone other than those specified parties.

*Lowenthal, Singleton, Webb & Wilson*

Professional Association  
March 13, 2006

CITY OF TONGANOXIE, KANSAS  
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
For the year ended December 31, 2005

<u>Funds</u>	<u>Beginning Unencumbered Cash Balances</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add: Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General	\$ 460,768	\$ -	\$ 1,684,086	\$ 1,285,916	\$ 858,938	\$ 8,961	\$ 867,899
Special Revenue Funds:							
Special Parks and Recreation	16,811	-	6,392	3,259	19,944	-	19,944
Special Highway	324,624	-	1,911,622	473,691	1,762,555	9,339	1,771,894
Library	-	-	199,830	199,830	-	-	-
Employee Benefit	53,607	-	321,213	284,957	89,863	-	89,863
Fire Department Equipment Reserve	81,203	-	89,811	70,204	100,810	-	100,810
Police Department Equipment Reserve	5,723	-	4,516	8,796	1,443	-	1,443
Law Enforcement Trust	2,914	-	-	738	2,176	-	2,176
Transient Guest Tax	480	-	1,762	1,050	1,192	-	1,192
Debt Service Fund:							
Bond and Interest	76,368	-	118,058	141,100	53,326	-	53,326
Capital Project	285,907	-	237,545	241,459	281,993	65,000	346,993
Enterprise Funds:							
Water	665,747	-	954,828	890,010	730,565	13,549	744,114
Sewer	599,574	-	2,058,237	1,793,124	864,687	103,530	968,217
Sanitation	34,798	-	155,519	141,184	49,133	-	49,133
Totals	\$ 2,608,524	\$ -	\$ 7,743,419	\$ 5,535,318	\$ 4,816,625	\$ 200,379	\$ 5,017,004

## Composition of Cash:

## First State Bank &amp; Trust of Tonganoxie, Kansas

General checking	\$ 5,018,228
Municipal court account	4,592
Water meter deposit account	1,129
Revolving loan	<u>32,713</u>

Total Cash 5,056,663

Less: Agency Funds per Statement 3, 15 of 15 [39,659]

Total Reporting Entity (Excluding Agency Funds) \$ 5,017,004

## STATEMENT 2

CITY OF TONGANOXIE, KANSAS  
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
For the year ended December 31, 2005

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Positive [Negative]</u>
General	\$ 1,391,524	\$ -	\$ 1,391,524	\$ 1,285,916	\$ 105,608
Special Revenue Funds:					
Special Parks and Recreation	15,000	-	15,000	3,259	11,741
Special Highway	500,000	-	500,000	473,691	26,309
Library	231,079	-	231,079	199,830	31,249
Employee Benefit	314,022	-	314,022	284,957	29,065
Fire Department Equipment Reserve	107,869	-	107,869	70,204	37,665
Police Department Equipment Reserve	11,000	-	11,000	8,796	2,204
Law Enforcement Trust	3,704	-	3,704	738	2,966
Transient Guest Tax	1,500	-	1,500	1,050	450
Debt Service Fund:					
Bond and Interest	141,118	-	141,118	141,100	18
Capital Project Fund	347,000	-	347,000	241,459	105,541
Enterprise Funds:					
Water	4,074,549	-	4,074,549	890,010	3,184,539
Sewer	2,023,981	-	2,023,981	1,793,124	230,857
Sanitation	190,000	-	190,000	141,184	48,816

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

CITY OF TONGANOXIE, KANSAS  
GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET

For the year ended December 31, 2005

(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year	Current Year		Variance
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Positive [Negative]
Cash Receipts				
Taxes	\$ 539,769	\$ 642,902	\$ 501,610	\$ 141,292
Intergovernmental	448,826	491,464	492,650	[1,186]
Licenses and permits	108,548	266,288	100,769	165,519
Fines and fees	90,794	108,779	88,200	20,579
Use of money and property	32,940	133,170	24,249	108,921
Charges for services	30,805	40,852	35,000	5,852
Miscellaneous	2,347	631	8,365	[7,734]
Total Cash Receipts	<u>1,254,029</u>	<u>1,684,086</u>	<u>\$ 1,250,843</u>	<u>\$ 433,243</u>
Expenditures and Transfers Subject to Budget				
General government	106,353	139,260	\$ 121,237	\$ [18,023]
Administration	176,455	183,046	308,646	125,600
Police department	363,284	443,322	432,973	[10,349]
Fire department	125,567	163,947	204,991	41,044
Highway and streets	180,101	232,176	220,653	[11,523]
Swimming pool	52,750	51,140	65,286	14,146
Equipment reserve	12,582	6,585	-	[6,585]
Contingency reserve	-	51,039	-	[51,039]
Animal control	4,562	8,058	11,200	3,142
Court and legal department	5,955	7,293	26,538	19,245
Miscellaneous	-	50	-	[50]
Total Expenditures and Transfers Subject to Budget	<u>1,027,609</u>	<u>1,285,916</u>	<u>\$ 1,391,524</u>	<u>\$ 105,608</u>
Excess [deficiency] of revenues over [under] expenditures	226,420	398,170		
Unencumbered Cash, Beginning	<u>234,348</u>	<u>460,768</u>		
Unencumbered Cash, Ending	<u>\$ 460,768</u>	<u>\$ 858,938</u>		

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

CITY OF TONGANOXIE, KANSAS  
SPECIAL PARKS AND RECREATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET  
For the year ended December 31, 2005  
(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 6,149	\$ 6,392	\$ 7,139	\$ [747]
Total Cash Receipts	<u>6,149</u>	<u>6,392</u>	<u>\$ 7,139</u>	<u>\$ [747]</u>
Expenditures and Transfers Subject to Budget				
Culture and recreation				
Contractual services	<u>4,359</u>	<u>3,259</u>	<u>\$ 15,000</u>	<u>\$ 11,741</u>
Total Expenditures and Transfers Subject to Budget	<u>4,359</u>	<u>3,259</u>	<u>\$ 15,000</u>	<u>\$ 11,741</u>
Excess [deficiency] of revenues over [under] expenditures	1,790	3,133		
Unencumbered Cash, Beginning	<u>15,021</u>	<u>16,811</u>		
Unencumbered Cash, Ending	<u>\$ 16,811</u>	<u>\$ 19,944</u>		

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



CITY OF TONGANOXIE, KANSAS  
SPECIAL HIGHWAY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET

For the year ended December 31, 2005

(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 157,801	\$ 196,622	\$ 196,891	\$ [269]
Bond proceeds	<u>1,065,000</u>	<u>1,715,000</u>	<u>1,711,433</u>	<u>3,567</u>
Total Cash Receipts	<u>1,222,801</u>	<u>1,911,622</u>	<u>\$ 1,908,324</u>	<u>\$ 3,298</u>
Expenditures and Transfers Subject to Budget				
Public works	252,136	440,469	\$ 500,000	\$ 59,531
Debt service	<u>1,048,227</u>	<u>33,222</u>	<u>-</u>	<u>[33,222]</u>
Total Expenditures and Transfers Subject to Budget	<u>1,300,363</u>	<u>473,691</u>	<u>\$ 500,000</u>	<u>\$ 26,309</u>
Excess [deficiency] of revenues over [under] expenditures	[77,562]	1,437,931		
Unencumbered Cash, Beginning	<u>402,186</u>	<u>324,624</u>		
Unencumbered Cash, Ending	<u>\$ 324,624</u>	<u>\$ 1,762,555</u>		

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

CITY OF TONGANOXIE, KANSAS  
LIBRARY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET  
For the year ended December 31, 2005  
(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 167,964	\$ 199,830	\$ 231,079	\$ [31,249]
Total Cash Receipts	<u>167,964</u>	<u>199,830</u>	<u>\$ 231,079</u>	<u>\$ [31,249]</u>
Expenditures and Transfers Subject to Budget				
Appropriation	<u>167,964</u>	<u>199,830</u>	<u>\$ 231,079</u>	<u>\$ 31,249</u>
Total Expenditures and Transfers Subject to Budget	<u>167,964</u>	<u>199,830</u>	<u>\$ 231,079</u>	<u>\$ 31,249</u>
Excess [deficiency] of revenues over [under] expenditures	-	-		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

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

CITY OF TONGANOXIE, KANSAS  
EMPLOYEE BENEFIT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET

For the year ended December 31, 2005

(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 201,333	\$ 218,085	\$ 215,545	\$ 2,540
Miscellaneous	12,772	14,367	13,859	508
Transfers in	89,981	88,761	88,761	-
Total Cash Receipts	<u>304,086</u>	<u>321,213</u>	<u>\$ 318,165</u>	<u>\$ 3,048</u>
Expenditures and Transfers Subject to Budget				
General government				
Personal services	<u>266,387</u>	<u>284,957</u>	<u>\$ 314,022</u>	<u>\$ 29,065</u>
Total Expenditures and Transfers Subject to Budget	<u>266,387</u>	<u>284,957</u>	<u>\$ 314,022</u>	<u>\$ 29,065</u>
Excess [deficiency] of revenues over [under] expenditures	37,699	36,256		
Unencumbered Cash, Beginning	<u>15,908</u>	<u>53,607</u>		
Unencumbered Cash, Ending	<u>\$ 53,607</u>	<u>\$ 89,863</u>		

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

CITY OF TONGANOXIE, KANSAS  
FIRE DEPARTMENT EQUIPMENT RESERVE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET

For the year ended December 31, 2005

(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year Actual	Current Year		Variance Positive [Negative]
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Fines and fees	\$ 72,062	\$ 89,811	\$ 60,500	\$ 29,311
Total Cash Receipts	<u>72,062</u>	<u>89,811</u>	<u>\$ 60,500</u>	<u>\$ 29,311</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>62,631</u>	<u>70,204</u>	<u>\$ 107,869</u>	<u>\$ 37,665</u>
Total Expenditures and Transfers Subject to Budget	<u>62,631</u>	<u>70,204</u>	<u>\$ 107,869</u>	<u>\$ 37,665</u>
Excess [deficiency] of revenues over [under] expenditures	9,431	19,607		
Unencumbered Cash, Beginning	<u>71,772</u>	<u>81,203</u>		
Unencumbered Cash, Ending	<u>\$ 81,203</u>	<u>\$ 100,810</u>		

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

CITY OF TONGANOXIE, KANSAS  
POLICE DEPARTMENT EQUIPMENT RESERVE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET

For the year ended December 31, 2005

(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Fines and fees	\$ 2,890	\$ 4,516	\$ 2,000	\$ 2,516
Transfer in	<u>8,340</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Receipts	<u>11,230</u>	<u>4,516</u>	<u>\$ 2,000</u>	<u>\$ 2,516</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>5,507</u>	<u>8,796</u>	<u>\$ 11,000</u>	<u>\$ 2,204</u>
Total Expenditures and Transfers Subject to Budget	<u>5,507</u>	<u>8,796</u>	<u>\$ 11,000</u>	<u>\$ 2,204</u>
Excess [deficiency] of revenues over [under] expenditures	5,723	[4,280]		
Unencumbered Cash, Beginning	<u>-</u>	<u>5,723</u>		
Unencumbered Cash, Ending	<u>\$ 5,723</u>	<u>\$ 1,443</u>		

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

CITY OF TONGANOXIE, KANSAS  
LAW ENFORCEMENT TRUST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET  
For the year ended December 31, 2005  
(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Grants	\$ 210	\$ -	\$ 3,000	\$ [3,000]
Total Cash Receipts	<u>210</u>	<u>-</u>	<u>\$ 3,000</u>	<u>\$ [3,000]</u>
Expenditures and Transfers Subject to Budget				
Grant expenditures	<u>-</u>	<u>738</u>	<u>\$ 3,704</u>	<u>\$ 2,966</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>738</u>	<u>\$ 3,704</u>	<u>\$ 2,966</u>
Excess [deficiency] of revenues over [under] expenditures	210	[738]		
Unencumbered Cash, Beginning	<u>2,704</u>	<u>2,914</u>		
Unencumbered Cash, Ending	<u>\$ 2,914</u>	<u>\$ 2,176</u>		

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

CITY OF TONGANOXIE, KANSAS  
TRANSIENT GUEST TAX FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET

For the year ended December 31, 2005

(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 1,066	\$ 1,762	\$ 1,260	\$ 502
Total Cash Receipts	<u>1,066</u>	<u>1,762</u>	<u>\$ 1,260</u>	<u>\$ 502</u>
Expenditures and Transfers Not Subject to Budget				
Contractual services	<u>3,268</u>	<u>1,050</u>	<u>\$ 1,500</u>	<u>\$ 450</u>
Total Expenditures and Transfers Not Subject to Budget	<u>3,268</u>	<u>1,050</u>	<u>\$ 1,500</u>	<u>\$ 450</u>
Excess [deficiency] of revenues over [under] expenditures	[2,202]	712		
Unencumbered Cash, Beginning	<u>2,682</u>	<u>480</u>		
Unencumbered Cash, Ending	<u>\$ 480</u>	<u>\$ 1,192</u>		

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

CITY OF TONGANOXIE, KANSAS  
BOND AND INTEREST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET  
For the year ended December 31, 2005  
(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 113,996	\$ 115,914	\$ 110,375	\$ 5,539
Interest	-	2,144	-	2,144
Transfers in	<u>31,530</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Receipts	<u>145,526</u>	<u>118,058</u>	<u>\$ 110,375</u>	<u>\$ 7,683</u>
Expenditures and Transfers Subject to Budget				
Debt service				
Principal	71,702	66,000	\$ 141,118	\$ 75,118
Interest and other charges	<u>32,055</u>	<u>75,100</u>	<u>-</u>	<u>[75,100]</u>
Total Expenditures and Transfers Subject to Budget	<u>103,757</u>	<u>141,100</u>	<u>\$ 141,118</u>	<u>\$ 18</u>
Excess [deficiency] of revenues over [under] expenditures	41,769	[23,042]		
Unencumbered Cash, Beginning	<u>34,599</u>	<u>76,368</u>		
Unencumbered Cash, Ending	<u>\$ 76,368</u>	<u>\$ 53,326</u>		

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



CITY OF TONGANOXIE, KANSAS  
CAPITAL PROJECT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET

For the year ended December 31, 2005

(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 218,647	\$ 235,230	\$ 239,632	\$ [4,402]
Proceeds from sale	-	2,315	-	2,315
Transfers in	<u>18,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash Receipts	<u>236,847</u>	<u>237,545</u>	<u>\$ 239,632</u>	<u>\$ [2,087]</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	46,726	241,459	\$ 336,000	\$ 94,541
Debt service	18,149	-	11,000	11,000
Transfers out	<u>58,070</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>122,945</u>	<u>241,459</u>	<u>\$ 347,000</u>	<u>\$ 105,541</u>
Excess [deficiency] of revenues over [under] expenditures	113,902	[3,914]		
Unencumbered Cash, Beginning	<u>172,005</u>	<u>285,907</u>		
Unencumbered Cash, Ending	<u>\$ 285,907</u>	<u>\$ 281,993</u>		

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

CITY OF TONGANOXIE, KANSAS  
WATER FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET  
For the year ended December 31, 2005  
(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 699,594	\$ 804,828	\$ 471,925	\$ 332,903
Special assessments	-	-	152,082	[152,082]
Bond proceeds	-	-	3,000,000	[3,000,000]
Use of money and property	100	-	-	-
Grant funds	-	150,000	-	150,000
Miscellaneous	-	-	27,550	[27,550]
Total Cash Receipts	<u>699,694</u>	<u>954,828</u>	<u>\$ 3,651,557</u>	<u>\$ [2,696,729]</u>
Expenditures and Transfers Subject to Budget				
Production and distribution	389,073	586,153	\$ 494,855	\$ [91,298]
Debt service	147,671	143,176	151,067	7,891
Capital outlay	16,347	102,054	3,370,000	3,267,946
Transfers out	<u>60,025</u>	<u>58,627</u>	<u>58,627</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>613,116</u>	<u>890,010</u>	<u>\$ 4,074,549</u>	<u>\$ 3,184,539</u>
Excess [deficiency] of revenues over [under] expenditures	86,578	64,818		
Unencumbered Cash, Beginning	<u>579,169</u>	<u>665,747</u>		
Unencumbered Cash, Ending	<u>\$ 665,747</u>	<u>\$ 730,565</u>		

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

CITY OF TONGANOXIE, KANSAS  
SEWER FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET

For the year ended December 31, 2005

(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 543,502	\$ 760,192	\$ 566,107	\$ 194,085
Taxes	6,085	1,237	-	1,237
Intergovernmental	-	-	100,000	[100,000]
Miscellaneous	318,895	179,648	-	179,648
Loan proceeds	<u>2,584,362</u>	<u>1,117,160</u>	<u>1,050,000</u>	<u>67,160</u>
Total Cash Receipts	<u>3,452,844</u>	<u>2,058,237</u>	<u>\$ 1,716,107</u>	<u>\$ 342,130</u>
Expenditures and Transfers Subject to Budget				
General and administrative	24,977	176,362	\$ -	\$ [176,362]
Plant operating costs	169,409	197,445	288,609	91,164
Capital outlay	2,953,738	1,219,136	1,540,000	320,864
Debt service	93,479	170,047	165,238	[4,809]
Transfers out	<u>29,956</u>	<u>30,134</u>	<u>30,134</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>3,271,559</u>	<u>1,793,124</u>	<u>\$ 2,023,981</u>	<u>\$ 230,857</u>
Excess [deficiency] of revenues over [under] expenditures	181,285	265,113		
Unencumbered Cash, Beginning	<u>418,289</u>	<u>599,574</u>		
Unencumbered Cash, Ending	<u>\$ 599,574</u>	<u>\$ 864,687</u>		

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

CITY OF TONGANOXIE, KANSAS  
SANITATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL AND BUDGET

For the year ended December 31, 2005

(With comparative actual amounts for the year ended December 31, 2004)

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 145,114	\$ 155,519	\$ 189,000	\$ [33,481]
Total Cash Receipts	<u>145,114</u>	<u>155,519</u>	<u>\$ 189,000</u>	<u>\$ [33,481]</u>
Expenditures and Transfers Subject to Budget				
Contractual services	<u>122,260</u>	<u>141,184</u>	<u>\$ 190,000</u>	<u>\$ 48,816</u>
Total Expenditures and Transfers Subject to Budget	<u>122,260</u>	<u>141,184</u>	<u>\$ 190,000</u>	<u>\$ 48,816</u>
Excess [deficiency] of revenues over [under] expenditures	22,854	14,335		
Unencumbered Cash, Beginning	<u>11,944</u>	<u>34,798</u>		
Unencumbered Cash, Ending	<u>\$ 34,798</u>	<u>\$ 49,133</u>		

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

CITY OF TONGANOXIE, KANSAS  
AGENCY FUNDS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
ACTUAL ONLY

For the year ended December 31, 2005

	Balance December 31, <u>2004</u>	<u>Receipts</u>	<u>Expenditures</u>	Balance December 31, <u>2005</u>
Payroll clearing	\$ 49	\$ 974,948	\$ 973,772	\$ 1,225
Municipal court	6,281	122,830	124,519	4,592
Revolving loan	40,529	10,684	18,500	32,713
Meter deposits	<u>2,752</u>	<u>17,800</u>	<u>19,423</u>	<u>1,129</u>
Total	<u>\$ 49,611</u>	<u>\$ 1,126,262</u>	<u>\$ 1,136,214</u>	<u>\$ 39,659</u>

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

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Tonganoxie, Kansas (the City), is a municipal corporation governed by an elected mayor and five-member council. These financial statements present the City (the primary government) and exclude all component units of which the City appointed a voting majority of the unit's board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. The financial statements of the City consist only of the funds of the primary government.

Component Unit That Is Not Presented

The Tonganoxie Public Library (Library) serves the citizens within the City's jurisdiction. Acquisition or disposition of real property by the Library must be approved by the City. Bond issues must be approved by the City. The Library is not included in this report of the primary government. Financial statements for the Library may be obtained at the Library, Tonganoxie, Kansas.

Basis of Accounting

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

Departure from Accounting Principles Generally Accepted in the United States of America (GAAP)

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented.

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

The City has a GAAP waiver from accounting principles generally accepted in the United States of America which allows the municipality to use the prescribed basis of accounting.

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Fund Descriptions

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

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's cash resources and the related liabilities (other than those in the proprietary funds) are accounted for through governmental funds. The measurement focus is based upon changes in current financial resources.

General Fund - to account for all unrestricted cash except that required to be accounted for in another fund. This is the principal operating fund of the City.

Special Revenue Funds - are used to account for revenues derived from specific taxes, governmental grants or other revenue sources which are restricted to finance particular functions or activities of the City.

The Bond and Interest Fund is used to account for the accumulation of cash for, and the payment of, principal, interest and other related costs of the City's general obligation bonds.

Capital Project Funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). Principal sources of revenue are municipal long-term debt proceeds, special assessments and interest income.

Proprietary Fund Types

The proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The City's proprietary fund types are:

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the City holds for others in an agency capacity.

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the city council to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The 2005 budget was amended for the Special Highway and Library Funds.

The statutes permit transferring budgeted amounts between accounts within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

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

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

NOTE 2 - Deposits

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

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



CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 3 - Interfund Transactions

Transfers were as follows:

	<u>From</u>	<u>To</u>
Water Fund	\$ 58,627	\$ -
Sewer Fund	30,134	-
Employee Benefit Fund	-	88,761
	<u>\$ 88,761</u>	<u>\$ 88,761</u>

NOTE 4 - Retirement Plans

**Plan Description.** The City participates in the Kansas Public Employees Retirement System ("KPERS"), a cost - sharing multiple - employer defined benefit pension plan as provided by K.S.A. 74-4901. et seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100; Topeka, Kansas 66603) or by calling 1-888-275-5737.

**Funding Policy.** K.S.A. 74-4919 establishes KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate was 4.01% from January 1 to June 30, 2005 and 4.21% from July 1 to December 31, 2005. The employer contributions to KPERS for the years ending December 31, 2005, 2004 and 2003 were \$30,393, \$23,572, and \$19,706 respectively, equal to the required contributions for each year.

NOTE 5 - Compensated Absences

It is the City's policy to permit employees to earn non-cumulative vacation at different intervals based on length of service. Sick leave accrues at 12 days per year and accumulates to a maximum of 90 days. No liability is reported for unpaid accumulated sick leave.

NOTE 6 - Long-term Debt and Notes Payable

**General Obligation Bonds.** The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary funds if they are expected to be repaid from proprietary fund revenues.

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

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

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

<u>Purpose</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Road Improvements Ser. 1999	6/21/99	10/1/09	4.1 - 5.1%	\$ 10,280
General Improvements Ser. 2004	6/15/04	9/1/14	3.25 - 4.3%	1,065,000
Downtown Revitalization Ser. 2000	12/01/00	9/1/21	4.85 - 6.50%	630,000
Total				<u>\$ 1,705,280</u>

Following is a summary of changes in long-term debt for the year ended December 31, 2005:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Road Improvements Ser. 1999	\$ 5,000	\$ -	\$ 1,000	\$ 4,000
General Improvements Ser. 2004	1,065,000	-	25,000	1,040,000
Downtown Revitalization Ser. 2000	490,000	-	40,000	450,000
Total	<u>\$ 1,560,000</u>	<u>\$ -</u>	<u>\$ 66,000</u>	<u>\$ 1,494,000</u>

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2006	\$ 166,000	\$ 63,102	\$ 229,102
2007	136,000	55,949	191,949
2008	181,000	50,518	231,518
2009	186,000	43,438	229,438
2010	190,000	35,789	225,789
2011 - 2015	570,000	82,519	652,519
2016 - 2021	<u>65,000</u>	<u>13,774</u>	<u>78,774</u>
Totals	<u>\$ 1,494,000</u>	<u>\$ 345,089</u>	<u>\$ 1,839,089</u>

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

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

Temporary Notes. The City also issues temporary notes to fund construction of infrastructure, pending permanent financing. The Series 2005 Temporary Notes were issued on October 1, 2005, and mature on April 1, 2009. The interest rate for these notes is 3.75%.

Following is a summary of changes in long-term debt for the year ended December 31, 2005

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Series 2005	\$ -	\$ 1,715,000	\$ -	\$ 1,715,000

Enterprise Fund General Obligation Bonds. Bonds of this type outstanding at year end are as follows:

<u>Purpose</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Water and Sewer Improvement	12/01/02	12/1/16	3.5 - 4.5%	\$ 1,510,000
Total				\$ 1,510,000

Following is a summary of changes in long-term debt for the year ended December 31, 2005

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Water and Sewer Improvement	\$ 1,270,000	\$ -	\$ 85,000	\$ 1,185,000
Total	\$ 1,270,000	\$ -	\$ 85,000	\$ 1,185,000

Bond debt service requirements to maturity:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2006	\$ 85,000	\$ 47,323	\$ 132,323
2007	90,000	44,349	134,349
2008	95,000	41,199	136,199
2009	100,000	37,969	137,969
2010	105,000	34,343	139,343
2011 - 2015	575,000	106,225	681,225
2016 - 2019	135,000	6,075	141,075
Totals	\$ 1,185,000	\$ 317,483	\$ 1,502,483

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

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

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

Following is a summary of changes in revolving loan for the year ended December 31, 2005:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
KDHE Revolving Loan	\$ 588,554	\$ -	\$ 64,253	\$ 524,301

Required payments are as follows as of December 31, 2005:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Service</u>
2006	\$ 66,599	\$ 17,922	\$ 84,521
2007	69,101	15,589	84,690
2008	71,698	13,167	84,865
2009	74,392	10,652	85,044
2010	77,190	8,044	85,234
2011 - 2013	<u>165,321</u>	<u>8,312</u>	<u>173,633</u>
Totals	\$ 524,301	\$ 73,686	\$ 597,987

In 2003, the City authorized the execution of a \$3,810,079 loan with the Kansas Department of Health and Environment for the construction of a new sewer plant. The City will repay these loans over a 20 year period ending in March of 2026. The gross interest rates being charged on these loans are 3.08%. Of this, .25% is a service fee.

Following is a summary of changes in revolving loan for the year ended December 31, 2005:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
KDHE Revolving Loan	\$ 2,584,362	\$ 1,117,160	\$ -	\$ 3,701,522

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

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

Required payments are as follows on the total balance projected to be borrowed as of December 31, 2005:

Year ending December 31,	Principal	Interest	Total Debt Service
2006	\$ 33,909	\$ 107,588	\$ 141,497
2007	34,961	106,620	141,581
2008	36,047	105,623	141,670
2009	37,164	104,595	141,759
2010	38,318	103,535	141,853
2011 - 2015	580,105	477,696	1,057,801
2016 - 2020	1,158,394	359,820	1,518,214
2021 - 2025	<u>1,891,181</u>	<u>150,554</u>	<u>2,041,735</u>
Totals	<u>\$ 3,810,079</u>	<u>\$ 1,516,031</u>	<u>\$ 5,326,110</u>

NOTE 7 - Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>Interest Rate</u>	<u>Original Amount</u>
Rescue Pumper	5.3%	\$ 152,287
Ford Fire Truck	5.0%	<u>45,900</u>
Totals		<u>\$ 198,187</u>

Following is a summary of changes in leases for the year ended December 31, 2005

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
Rescue Pumper	\$ 62,160	\$ -	\$ 18,331	\$ 43,829
Ford Truck	<u>39,696</u>	<u>-</u>	<u>4,177</u>	<u>35,519</u>
Totals	<u>\$ 101,856</u>	<u>\$ -</u>	<u>\$ 22,508</u>	<u>\$ 79,348</u>

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

NOTE 7 - Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005, were as follows:

<u>Year Ending December 31,</u>	<u>Payment Due</u>
2006	\$ 27,869
2007	31,995
2008	6,166
2009	6,166
2010	6,166
2011-2012	<u>12,127</u>
Total minimum lease payments	90,488
Less: amount representing interest	<u>11,140</u>
Present value of minimum lease payments	<u>\$ 79,348</u>

NOTE 8 - Water Purchase Contract

The City has water purchase contracts with Public Wholesale Water Supply District No. 6 of Tonganoxie, Kansas. The contracts require the City to make minimum monthly payments. The contract requires minimum monthly payments for a term of 20 years beginning in 1997. The City's payment is approximately \$15,600 per year.

NOTE 9 - Lease Purchase Agreement - Contingent Liability

The City has entered into a lease purchase agreement with Energy and Environmental Systems, Inc. (lessee) for the Perka building. The City originally acquired the building under a separate lease purchase agreement with the First State Bank & Trust (bank) of Tonganoxie, Kansas in 1995. The leasing arrangement is for the lessee to continue the payments as set forth in the original lease agreement the City had with the bank, with ownership transferring upon paying off the balance of the lease. In addition, the lessee paid a down payment of \$90,000 to acquire the property. The terms of the agreement call for monthly payments of \$2,687 with an interest rate of 6.25%. In the event the lessee defaults, the City is responsible to pay the balance left on the lease.

CITY OF TONGANOXIE, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Payment</u> <u>Due</u>
2006	\$ 32,256
2007	32,256
2008	32,256
2009	32,256
2010	32,256
2011-2012	<u>51,432</u>
Total minimum lease payments	212,712
Less: amount representing interest	<u>38,751</u>
Present value of minimum lease payments	<u>\$ 173,961</u>

NOTE 10 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.