

CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENTS

Year ended December 31, 2010

This page intentionally left blank

CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENTS
Year ended December 31, 2010

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i
FINANCIAL SECTION	
Independent Auditor's Report on the Financial Statements	1 - 2
STATEMENT 1	
Summary of Cash Receipts, Expenditures and Unencumbered Cash	3
STATEMENT 2	
Summary of Expenditures - Actual and Budget	4
STATEMENT 3	
Statement of Cash Receipts and Expenditures - Actual and Budget and Actual only	
General Fund	5
Special Parks and Recreation Fund	6
Special Highway Fund	7
Library Fund	8
Employee Benefit Fund	9
Fire Department Equipment Reserve Fund	10
Police Department Equipment Reserve Fund	11
Law Enforcement Trust Fund	12
Transient Guest Tax Fund	13
Bond and Interest Fund	14
Capital Project Fund	15
Water Fund	16
Sewer Fund	17
Sanitation Fund	18
Agency Funds	19
Notes to the Financial Statements	20 - 29

LOWENTHAL, WEBB & ODERMANN, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

900 Massachusetts, Suite 301
Lawrence, Kansas 66044-2868
Phone: (785) 749-5050
Fax: (785) 749-5061
Website: www.lswwcpa.com

David A. Lowenthal, CPA
Patricia L. Webb, CPA
Audrey M. Odermann, CPA

Abram M. Chrislip, CPA
Caroline H. Eddinger, CPA
Grant A. Huddin, CPA
Brian W. Nyp, CPA

Members of American Institute
and Kansas Society of
Certified Public Accountants

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, 2010, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Tonganoxie, Kansas. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2009. In our report dated August 25, 2010, on those financial statements, we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unqualified opinion as to presentation on the Kansas prescribed basis of accounting.

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

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The primary government financial statements referred to above do not include the financial data of component units of the City of Tonganoxie, Kansas as of December 31, 2010.

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, 2010, or the respective changes in financial position for the year then ended.

Also, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the fund cash and unencumbered cash balances of the City of Tonganoxie, Kansas, as of December 31, 2010, and its cash receipts and expenditures by fund, and fund budget to actual comparisons, for the year then ended, taken as a whole, on the prescribed basis of accounting described in Note 1.

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas prescribed basis of accounting. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2009, from which such partial information was derived.

Lowenthal, Wett & Odummann, P.A.

July 6, 2011

STATEMENT 1

CITY OF TONGANOXIE, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For the year ended December 31, 2010

<u>Funds</u>	Restated Beginning Unencumbered Cash <u>Balances</u>	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General	\$ 351,284	\$ -	\$ 1,684,189	\$ 1,872,121	\$ 163,352	\$ 35,356	\$ 198,708
Special Revenue Funds:							
Special Parks and Recreation	2,562	-	5,331	2,600	5,293	-	5,293
Special Highway	[606,346]	-	1,721,774	911,251	204,177	7,833	212,010
Library	-	-	267,850	267,850	-	-	-
Employee Benefit	117,024	-	441,447	509,510	48,961	-	48,961
Fire Department Equipment Reserve	107,051	-	328,697	101,889	333,859	-	333,859
Police Department Equipment Reserve	13,740	-	11,703	13,943	11,500	-	11,500
Law Enforcement Trust	3,010	-	8,100	3,187	7,923	-	7,923
Transient Guest Tax	5,183	-	458	5,000	641	-	641
Debt Service Fund:							
Bond and Interest	611,215	-	1,988,017	2,323,085	276,147	15,000	291,147
Capital Project	341,542	-	620,206	472,469	489,279	-	489,279
Enterprise Funds:							
Water	597,376	-	2,887,913	3,001,677	483,612	325,654	809,266
Sewer	759,078	-	756,680	762,957	752,801	8,030	760,831
Sanitation	36,877	-	305,399	304,563	37,713	22,766	60,479
Totals	\$ 2,339,596	\$ -	\$ 11,027,764	\$ 10,552,102	\$ 2,815,258	\$ 414,639	\$ 3,229,897

Composition of Cash:

First State Bank & Trust of Tonganoxie, Kansas	
General checking	\$3,183,345
Certificate of deposit	58,304
Revolving loan	<u>11,108</u>
Total Cash	3,252,758
Less: Agency Funds per Statement 3, 15 of 15	<u>[22,861]</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$3,229,897</u>

CITY OF TONGANOXIE, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
For the year ended December 31, 2010

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Positive [Negative]</u>
General	\$2,112,635	\$ -	\$ 2,112,635	\$ 1,872,121	\$ 240,514
Special Revenue Funds:					
Special Parks and Recreation	13,000	-	13,000	2,600	10,400
Special Highway	2,647,372	-	2,647,372	911,251	1,736,121
Library	339,499	-	339,499	267,850	71,649
Employee Benefit	492,096	30,026	522,122	509,510	12,612
Fire Department Equipment Reserve	125,113	-	125,113	101,889	23,224
Police Department Equipment Reserve	15,000	-	15,000	13,943	1,057
Law Enforcement Trust	4,000	-	4,000	3,187	813
Transient Guest Tax	9,000	-	9,000	5,000	4,000
Debt Service Fund:					
Bond and Interest	3,057,011	-	3,057,011	2,323,085	733,926
Capital Project Fund	1,034,090	-	1,034,090	472,469	561,621
Enterprise Funds:					
Water	6,080,135	-	6,080,135	3,001,677	3,078,458
Sewer	1,431,923	-	1,431,923	762,957	668,966
Sanitation	389,496	-	389,496	304,563	84,933

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, 2010

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

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 644,135	\$ 811,464	\$ 601,519	\$ 209,945
Intergovernmental	494,626	484,893	747,490	[262,597]
Licenses and permits	36,668	28,767	25,175	3,592
Fines and fees	198,764	203,196	200,000	3,196
Use of money and property	24,421	19,881	51,584	[31,703]
Charges for services	114,561	121,447	127,500	[6,053]
Economic development	-	1,469	-	1,469
Miscellaneous	6,473	13,072	12,093	979
Total Cash Receipts	<u>1,519,648</u>	<u>1,684,189</u>	<u>\$ 1,765,361</u>	<u>\$ [81,172]</u>
Expenditures and Transfers Subject to Budget				
General government	147,320	79,261	\$ 76,791	\$ [2,470]
Administration	415,107	344,667	397,316	52,649
Police department	657,600	678,382	710,920	32,538
Fire department	243,986	287,679	308,892	21,213
Highway and streets	360,638	316,541	337,964	21,423
Swimming pool	138,474	125,742	148,906	23,164
Equipment reserve	7,301	7,998	-	[7,998]
Contingency reserve	6,717	1,337	-	[1,337]
Animal control	17,700	13,009	-	[13,009]
Court and legal department	23,555	17,505	130,357	112,852
Miscellaneous	1,750	-	1,489	1,489
Total Expenditures and Transfers Subject to Budget	<u>2,020,148</u>	<u>1,872,121</u>	<u>\$ 2,112,635</u>	<u>\$ 240,514</u>
Excess [deficiency] of revenues over [under] expenditures	[500,500]	[187,932]		
Unencumbered Cash, Beginning	<u>851,784</u>	<u>351,284</u>		
Unencumbered Cash, Ending	<u>\$ 351,284</u>	<u>\$ 163,352</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, 2010

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

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive <u>[Negative]</u>
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 2,967	\$ 5,331	\$ 5,347	\$ [16]
Total Cash Receipts	<u>2,967</u>	<u>5,331</u>	<u>\$ 5,347</u>	<u>\$ [16]</u>
Expenditures and Transfers Subject to Budget				
Culture and recreation				
Contractual services	<u>13,936</u>	<u>2,600</u>	<u>\$ 13,000</u>	<u>\$ 10,400</u>
Total Expenditures and Transfers Subject to Budget	<u>13,936</u>	<u>2,600</u>	<u>\$ 13,000</u>	<u>\$ 10,400</u>
Excess [deficiency] of revenues over [under] expenditures	[10,969]	2,731		
Unencumbered Cash, Beginning	<u>13,531</u>	<u>2,562</u>		
Unencumbered Cash, Ending	<u>\$ 2,562</u>	<u>\$ 5,293</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, 2010

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

	Prior Year <u>Actual</u>	Current Year		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 704,779	\$ 203,688	\$ 138,950	\$ 64,738
Reimbursements	-	7,613	-	7,613
Loan proceeds	-	645,473	-	645,473
Bond premium	2,612	-	-	-
Bond proceeds	<u>1,324,729</u>	<u>865,000</u>	<u>2,510,720</u>	<u>[1,645,720]</u>
Total Cash Receipts	<u>2,032,120</u>	<u>1,721,774</u>	<u>\$ 2,649,670</u>	<u>\$ [927,896]</u>
Expenditures and Transfers Subject to Budget				
Public works	1,300,368	873,134	\$ 2,647,372	\$ 1,774,238
Debt service	<u>1,731,916</u>	<u>38,117</u>	<u>-</u>	<u>[38,117]</u>
Total Expenditures and Transfers Subject to Budget	<u>3,032,284</u>	<u>911,251</u>	<u>\$ 2,647,372</u>	<u>\$ 1,736,121</u>
Excess [deficiency] of revenues over [under] expenditures	[1,000,164]	810,523		
Unencumbered Cash, Beginning	<u>393,818</u>	<u>[606,346]</u>		
Unencumbered Cash, Ending	<u>\$ [606,346]</u>	<u>\$ 204,177</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, 2010

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

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 268,388	\$ 267,850	\$ 308,020	\$ [40,170]
Total Cash Receipts	<u>268,388</u>	<u>267,850</u>	<u>\$ 308,020</u>	<u>\$ [40,170]</u>
Expenditures and Transfers Subject to Budget				
Appropriation	268,388	267,850	\$ 338,572	\$ 70,722
Miscellaneous	<u>-</u>	<u>-</u>	<u>927</u>	<u>927</u>
Total Expenditures and Transfers Subject to Budget	<u>268,388</u>	<u>267,850</u>	<u>\$ 339,499</u>	<u>\$ 71,649</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, 2010

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

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 384,299	\$ 279,550	\$ 306,035	\$ [26,485]
Reimbursements	27,995	30,026	-	30,026
Transfers in	<u>126,580</u>	<u>131,871</u>	<u>131,871</u>	<u>-</u>
Total Cash Receipts	<u>538,874</u>	<u>441,447</u>	<u>\$ 437,906</u>	<u>\$ 3,541</u>
Expenditures and Transfers Subject to Budget				
General government				
Personal services	498,048	509,510	\$ 490,715	\$ [18,795]
Miscellaneous	-	-	1,381	1,381
Adjustment for qualifying budget credit	<u>-</u>	<u>-</u>	<u>30,026</u>	<u>30,026</u>
Total Expenditures and Transfers Subject to Budget	<u>498,048</u>	<u>509,510</u>	<u>\$ 522,122</u>	<u>\$ 12,612</u>
Excess [deficiency] of revenues over [under] expenditures	40,826	[68,063]		
Unencumbered Cash, Beginning	<u>76,198</u>	<u>117,024</u>		
Unencumbered Cash, Ending	<u>\$ 117,024</u>	<u>\$ 48,961</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, 2010

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

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Fines and fees	\$ 77,478	\$ 78,981	\$ 70,000	\$ 8,981
Donations	-	4,716	-	4,716
Loan proceeds	-	35,000	36,000	[1,000]
Bond proceeds	-	210,000	-	210,000
Total Cash Receipts	<u>77,478</u>	<u>328,697</u>	<u>\$ 106,000</u>	<u>\$ 222,697</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>72,102</u>	<u>101,889</u>	<u>\$ 125,113</u>	<u>\$ 23,224</u>
Total Expenditures and Transfers Subject to Budget	<u>72,102</u>	<u>101,889</u>	<u>\$ 125,113</u>	<u>\$ 23,224</u>
Excess [deficiency] of revenues over [under] expenditures	5,376	226,808		
Unencumbered Cash, Beginning	<u>101,675</u>	<u>107,051</u>		
Unencumbered Cash, Ending	<u>\$ 107,051</u>	<u>\$ 333,859</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, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Fines and fees	\$ 11,760	\$ 11,703	\$ 8,000	\$ 3,703
Total Cash Receipts	<u>11,760</u>	<u>11,703</u>	<u>\$ 8,000</u>	<u>\$ 3,703</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>9,063</u>	<u>13,943</u>	<u>\$ 15,000</u>	<u>\$ 1,057</u>
Total Expenditures and Transfers Subject to Budget	<u>9,063</u>	<u>13,943</u>	<u>\$ 15,000</u>	<u>\$ 1,057</u>
Excess [deficiency] of revenues over [under] expenditures	2,697	[2,240]		
Unencumbered Cash, Beginning	<u>11,043</u>	<u>13,740</u>		
Unencumbered Cash, Ending	<u>\$ 13,740</u>	<u>\$ 11,500</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, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	Prior Year	Current Year		Variance Positive [Negative]
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Negative]</u>
Cash Receipts				
Grants	\$ 750	\$ 100	\$ 1,000	\$ [900]
Seizures and forfeitures	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Total Cash Receipts	<u>750</u>	<u>8,100</u>	<u>\$ 1,000</u>	<u>\$ 7,100</u>
Expenditures and Transfers Subject to Budget				
Grant expenditures	<u>-</u>	<u>3,187</u>	<u>\$ 4,000</u>	<u>\$ 813</u>
Total Expenditures and Transfers Subject to Budget	<u>-</u>	<u>3,187</u>	<u>\$ 4,000</u>	<u>\$ 813</u>
Excess [deficiency] of revenues over [under] expenditures	750	4,913		
Unencumbered Cash, Beginning	<u>2,260</u>	<u>3,010</u>		
Unencumbered Cash, Ending	<u>\$ 3,010</u>	<u>\$ 7,923</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, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 4,431	\$ 458	\$ 4,500	\$ [4,042]
Total Cash Receipts	<u>4,431</u>	<u>458</u>	<u>\$ 4,500</u>	<u>\$ [4,042]</u>
Expenditures and Transfers Not Subject to Budget				
Contractual services	<u>4,000</u>	<u>5,000</u>	<u>\$ 9,000</u>	<u>\$ 4,000</u>
Total Expenditures and Transfers Not Subject to Budget	<u>4,000</u>	<u>5,000</u>	<u>\$ 9,000</u>	<u>\$ 4,000</u>
Excess [deficiency] of revenues over [under] expenditures	431	[4,542]		
Unencumbered Cash, Beginning	<u>4,752</u>	<u>5,183</u>		
Unencumbered Cash, Ending	<u>\$ 5,183</u>	<u>\$ 641</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, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes	\$ 286,300	\$ 283,017	\$ 599,798	\$ [316,781]
Bond proceeds	<u>25,271</u>	<u>1,705,000</u>	<u>2,000,000</u>	<u>[295,000]</u>
Total Cash Receipts	<u>311,571</u>	<u>1,988,017</u>	<u>\$ 2,599,798</u>	<u>\$ [611,781]</u>
Expenditures and Transfers Subject to Budget				
Debt service				
Principal	186,000	2,010,000	\$ 2,725,786	\$ 715,786
Interest and other charges	267,233	313,085	-	[313,085]
Reserves	-	-	305,325	305,325
Miscellaneous	<u>-</u>	<u>-</u>	<u>25,900</u>	<u>25,900</u>
Total Expenditures and Transfers Subject to Budget	<u>453,233</u>	<u>2,323,085</u>	<u>\$ 3,057,011</u>	<u>\$ 733,926</u>
Excess [deficiency] of revenues over [under] expenditures	[141,662]	[335,068]		
Unencumbered Cash, Beginning	<u>752,877</u>	<u>611,215</u>		
Unencumbered Cash, Ending	<u>\$ 611,215</u>	<u>\$ 276,147</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, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Intergovernmental	\$ 296,096	\$ 306,196	\$ 285,000	\$ 21,196
Bond proceeds	294,476	295,216	800,000	[504,784]
Proceeds from sale	<u>4,700</u>	<u>18,794</u>	<u>-</u>	<u>18,794</u>
Total Cash Receipts	<u>595,272</u>	<u>620,206</u>	<u>\$ 1,085,000</u>	<u>\$ [464,794]</u>
Expenditures and Transfers Subject to Budget				
Capital outlay	<u>361,965</u>	<u>472,469</u>	<u>\$ 1,034,090</u>	<u>\$ 561,621</u>
Total Expenditures and Transfers Subject to Budget	<u>361,965</u>	<u>472,469</u>	<u>\$ 1,034,090</u>	<u>\$ 561,621</u>
Excess [deficiency] of revenues over [under] expenditures	233,307	147,737		
Unencumbered Cash, Beginning	<u>108,235</u>	<u>341,542</u>		
Unencumbered Cash, Ending	<u>\$ 341,542</u>	<u>\$ 489,279</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, 2010

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

	Prior Year Actual	Current Year		Variance Positive [Negative]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 1,189,238	\$ 1,194,400	\$ 655,175	\$ 539,225
Special assessments	-	-	225,000	[225,000]
Lease proceeds	-	1,516,222	5,015,000	[3,498,778]
Sale of property	-	95,000	-	95,000
Use of money and property	-	291	-	291
Transfer in	100,000	67,000	67,000	-
Miscellaneous	15,000	15,000	10,000	5,000
Total Cash Receipts	1,304,238	2,887,913	\$ 5,972,175	\$ [3,084,262]
Expenditures and Transfers Subject to Budget				
Production and distribution	493,539	2,310,233	\$ 509,384	\$ [1,800,849]
Debt service	504,211	523,129	307,126	[216,003]
Capital outlay	46,985	39,639	5,135,000	5,095,361
Transfers out	158,707	128,676	128,625	[51]
Total Expenditures and Transfers Subject to Budget	1,203,442	3,001,677	\$ 6,080,135	\$ 3,078,458
Excess [deficiency] of revenues over [under] expenditures	100,796	[113,764]		
Unencumbered Cash, Beginning	496,580	597,376		
Unencumbered Cash, Ending	\$ 597,376	\$ 483,612		

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, 2010
(With comparative actual amounts for the year ended December 31, 2009)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 548,389	\$ 535,054	\$ 552,850	\$ [17,796]
Loan draws	-	221,626	-	221,626
Miscellaneous	-	-	600,000	[600,000]
Total Cash Receipts	<u>548,389</u>	<u>756,680</u>	<u>\$ 1,152,850</u>	<u>\$ [396,170]</u>
Expenditures and Transfers Subject to Budget				
Plant operating costs	288,853	278,540	\$ 299,570	\$ 21,030
Capital outlay	249,079	160,564	808,500	647,936
Debt service	263,342	263,342	263,342	-
Transfers out	<u>59,465</u>	<u>60,511</u>	<u>60,511</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>860,739</u>	<u>762,957</u>	<u>\$ 1,431,923</u>	<u>\$ 668,966</u>
Excess [deficiency] of revenues over [under] expenditures	[312,350]	[6,277]		
Unencumbered Cash, Beginning	<u>1,071,428</u>	<u>759,078</u>		
Unencumbered Cash, Ending	<u>\$ 759,078</u>	<u>\$ 752,801</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, 2010

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

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Positive [Negative]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Charges for services	\$ 300,689	\$ 305,399	\$ 350,000	\$ [44,601]
Total Cash Receipts	<u>300,689</u>	<u>305,399</u>	<u>\$ 350,000</u>	<u>\$ [44,601]</u>
Expenditures and Transfers Subject to Budget				
Contractual services	289,832	294,879	\$ 379,812	\$ 84,933
Transfer out	<u>8,408</u>	<u>9,684</u>	<u>9,684</u>	<u>-</u>
Total Expenditures and Transfers Subject to Budget	<u>298,240</u>	<u>304,563</u>	<u>\$ 389,496</u>	<u>\$ 84,933</u>
Excess [deficiency] of revenues over [under] expenditures	2,449	836		
Unencumbered Cash, Beginning	<u>34,428</u>	<u>36,877</u>		
Unencumbered Cash, Ending	<u>\$ 36,877</u>	<u>\$ 37,713</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, 2010

	Balance December 31, <u>2009</u>	<u>Receipts</u>	<u>Expenditures</u>	Balance December 31, <u>2010</u>
Payroll clearing	\$ 2,784	\$ 1,484,937	\$ 1,475,968	\$ 11,753
Revolving loan	<u>62</u>	<u>16,556</u>	<u>5,510</u>	<u>11,108</u>
Total	<u>\$ 2,846</u>	<u>\$ 1,501,493</u>	<u>\$ 1,481,478</u>	<u>\$ 22,861</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, 2010

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

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

Component Unit That Is Not Presented

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

Basis of Accounting

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

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

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

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

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

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Fund Descriptions

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

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

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

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

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 2010 budget was amended for the Fire Department Equipment Reserve, Police Department Equipment Reserve, and the Bond and Interest Funds.

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

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

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

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

NOTE 2 - Deposits

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

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

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 3 - Interfund Transactions

Transfers were as follows:

	<u>From</u>	<u>To</u>
Water Fund	\$ 128,676	\$ 67,000
Sewer Fund	60,511	-
Sanitation Fund	9,684	-
Employee Benefit Fund	-	131,871
	<u>\$ 198,871</u>	<u>\$ 198,871</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 up to 6% 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 7.14% from January 1 to December 31, 2010. The employer contributions to KPERS for the years ending December 31, 2010, 2009, and 2008 were \$91,119, \$83,085, and \$72,301 respectively.

NOTE 5 - Compensated Absences

It is the City's policy to permit employees to earn non-cumulative vacation at different intervals based on length of service. The liability for compensated vacation time at December 31, 2010 is \$33,398. 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, 2010

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

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

<u>Purpose</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Improvements Ser. 2009	4/1/09	9/1/29	2.80 - 4.75%	\$ 1,350,000	\$ 1,350,000
Improvements Ser. 2010A	5/10/10	9/1/20	2.25 - 3.15%	1,075,000	1,075,000
Improvements Ser. 2010B	12/13/10	12/1/13	1.50%	1,705,000	1,705,000
General Improvements Ser. 2004	6/15/04	9/1/14	3.25 - 4.3%	1,065,000	525,000
Public Works Building Ser. 2007	10/15/07	9/1/22	3.55 - 3.95%	1,720,000	1,670,000
Swimming Pool and Water Park Ser. 2007	10/15/07	9/1/17	3.50 - 3.7%	2,990,000	2,440,000
Downtown Revitalization Ser. 2000	12/01/00	9/1/21	4.85 - 6.50%	630,000	110,000
Total				<u>\$ 10,535,000</u>	<u>\$ 8,875,000</u>

Following is a summary of changes in long-term debt for the year ended December 31, 2010:

<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>
General Improvements Ser. 2004	\$ 645,000	\$ -	\$ 120,000	\$ 525,000
Public Works Building Ser. 2007	1,720,000	-	50,000	1,670,000
Swimming Pool and Water Park Ser. 2007	2,665,000	-	225,000	2,440,000
Improvements Ser. 2009	1,350,000	-	-	1,350,000
Improvements Ser. 2010A	-	1,075,000	-	1,075,000
Improvements Ser. 2010B	-	1,705,000	-	1,705,000
Downtown Revitalization Ser. 2000	180,000	-	70,000	110,000
Total	<u>\$ 6,560,000</u>	<u>\$ 2,780,000</u>	<u>\$ 465,000</u>	<u>\$ 8,875,000</u>

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

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$ 480,000	\$ 275,253	\$ 755,253
2012	540,000	265,044	805,044
2013	2,325,000	245,573	2,570,573
2014	675,000	197,456	872,456
2015	565,000	173,400	738,400
2016-2020	3,070,000	547,587	3,617,587
2021-2025	845,000	166,932	1,011,932
2026-2029	375,000	44,905	419,905
Totals	<u>\$ 8,875,000</u>	<u>\$ 1,916,149</u>	<u>\$ 10,791,149</u>

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

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

Temporary Notes. The City also issues temporary notes to fund construction of infrastructure, pending permanent financing. The Series 2008 Temporary Notes were retired in 2010.

Following is a summary of changes in long-term debt for the year ended December 31, 2010

<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 2008	\$ 1,770,000	\$ -	\$ 1,770,000	\$ -
Total	\$ 1,770,000	\$ -	\$ 1,770,000	\$ -

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>	<u>Outstanding Amount</u>
South Water Tower	7/15/06	9/1/16	3.7 - 4.1%	\$ 370,000	\$ 240,000
Water and Sewer Improvement	12/01/02	12/1/16	3.5 - 4.5%	1,510,000	710,000
Total				\$ 1,880,000	\$ 950,000

Following is a summary of changes in enterprise fund general obligation bonds for the year ended December 31, 2010:

<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>
South Water Tower	\$ 275,000	\$ -	\$ 35,000	\$ 240,000
Water and Sewer Improvement	815,000	-	105,000	710,000
Total	\$ 1,090,000	\$ -	\$ 140,000	\$ 950,000

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

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

Enterprise funds general obligation bonds debt service requirements to maturity:

Year ending December 31,	Principal	Interest	Total Debt Service
2011	\$ 140,000	\$ 39,933	\$ 179,933
2012	145,000	34,368	179,368
2013	155,000	28,475	183,475
2014	160,000	22,045	182,045
2015	170,000	15,265	185,265
2016-2018	<u>180,000</u>	<u>7,920</u>	<u>187,920</u>
Totals	<u>\$ 950,000</u>	<u>\$ 148,005</u>	<u>\$ 1,098,005</u>

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

Following is a summary of changes in the revolving loan for the year ended December 31, 2010:

Type of Issue	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding
KDHE Revolving Loan	<u>\$ 242,686</u>	<u>\$ -</u>	<u>\$ 76,093</u>	<u>\$ 166,593</u>

Required payments are as follows as of December 31, 2010:

Year ending December 31,	Principal	Interest	Total Debt Service
2011	\$ 80,094	\$ 5,334	\$ 85,428
2012	62,386	2,522	64,908
2013	<u>24,113</u>	<u>456</u>	<u>24,569</u>
Totals	<u>\$ 166,593</u>	<u>\$ 8,312</u>	<u>\$ 174,905</u>

In 2003, the City authorized the execution of a \$4,862,372 loan with the Kansas Department of Health and Environment for the construction of a new sewer plant. The City will repay this loan over a 20 year period ending in March of 2026. The gross interest rates being charged on these loans are 3.08%. Of this, .25% is a service fee.

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

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

Following is a summary of changes in the revolving loan for the year ended December 31, 2010:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
KDHE Revolving Loan	<u>\$ 4,090,825</u>	<u>\$ 128,962</u>	<u>\$ 53,288</u>	<u>\$ 4,166,499</u>

Required payments, for entire amount of proceeds, are as follows on the loan as of December 31, 2010:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$ 136,639	\$ 131,724	\$ 268,364
2012	140,880	127,828	268,708
2013	145,253	123,810	269,063
2014	149,761	119,668	269,429
2015	154,409	115,397	269,806
2016-2021	1,490,312	468,317	1,958,629
2022-2026	<u>1,949,244</u>	<u>196,729</u>	<u>2,145,973</u>
Totals	<u>\$ 4,166,499</u>	<u>\$ 1,283,472</u>	<u>\$ 5,449,971</u>

In 2009, the City authorized the execution of two loans with the Kansas Department of Transportation for the completion of various street infrastructure projects. Total proceeds for the two loans will be \$214,893 and \$550,077, respectively. The City will repay the loans over a 20 year period ending in August of 2029. Debt service payments to maturity are not yet available as the City has not made all of the draws on the loans as of December 31, 2010. Outstanding balances on these loans were \$178,512 and \$466,960 at December 31, 2010.

In 2010, the City authorized the execution of a water supply loan with the Kansas Department of Health and Environment. Total proceeds for the loan will be \$3,007,519. The City will repay the loan over a 20 year period ending in February 2032. The gross interest rate being charged on this loan is 3.63%. Debt service payments to maturity are not yet available as the City has not made all the draws on the loan as of December 31, 2010. The outstanding balance on this loan was \$1,523,741 at December 31, 2010.

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 7 - Leases

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

Following is a summary of changes in leases for the year ended December 31, 2010:

<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>
2008 Crown Victoria (2)	\$ 28,663	\$ -	\$ 28,663	\$ -
27 V Force Coats	31,163	-	8,655	22,508
Fire Trucks (2)	298,411	-	33,706	264,705
2011 Ford F250	-	35,000	-	35,000
2011 Crown Victoria	-	20,002	-	20,002
Ford Fire Truck	16,402	-	5,333	11,069
Totals	<u>\$ 374,639</u>	<u>\$ 55,002</u>	<u>\$ 76,357</u>	<u>\$ 353,284</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2010, were as follows:

<u>Year Ending December 31,</u>	<u>Payment Due</u>
2011	\$ 80,260
2012	79,847
2013	58,295
2014	54,012
2015	54,012
2016 - 2017	<u>83,882</u>
Total minimum lease payments	410,307
Less: amount representing interest	<u>57,023</u>
Present value of minimum lease payments	<u>\$ 353,284</u>

NOTE 8 - Water Purchase Contract

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

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 9 - Lease Purchase Agreement - Contingent Liability

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

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

<u>Year Ending</u> <u>December 31,</u>	<u>Payment</u> <u>Due</u>
2011	\$ 32,256
2012	<u>8,848</u>
Total minimum lease payments	41,104
Less: amount representing interest	<u>2,600</u>
Present value of minimum lease payments	<u>\$ 38,504</u>

NOTE 10 - Risk Management

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

NOTE 11 – Recreation Commission COP's

The City has entered into an Interlocal agreement with the Tonganoxie Recreation Commission to open a line of credit. The recreation commission is assuming these payments as part of a lease purchase agreement with the city. This debt has been issued to purchase land for the construction of athletic facilities. The following is a summary of the changes in the line of credit for 2010:

<u>Type of Issue</u>	<u>Beginning</u> <u>Principal</u> <u>Outstanding</u>	<u>Additions</u> <u>to</u> <u>Principal</u>	<u>Reductions</u> <u>of</u> <u>Principal</u>	<u>Ending</u> <u>Principal</u> <u>Outstanding</u>
Tonganoxie Recreation Lease	<u>\$ 418,734</u>	<u>\$ 275,214</u>	<u>\$ 58,316</u>	<u>\$ 635,632</u>