

CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENTS

Year ended December 31, 2011

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CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENTS
Year ended December 31, 2011

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 |



MIZE & HOUSER
COMPANY P.A.

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, 2011, 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, 2010. In our report dated July 6, 2011, 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, 2011.

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, 2011, or the respective changes in financial position for the year then ended.

www.mizehouser.com ■ mhco@mizehouser.com

534 S Kansas Ave, Suite 700 ■ Topeka, KS 66603-3465 ■ 785.233.0536 p ■ 785.233.1078 f
534 S Kansas Ave, Suite 400 ■ Topeka, KS 66603-3454 ■ 785.234.5573 p ■ 785.234.1037 f
7101 College Blvd, Suite 900 ■ Overland Park, KS 66210-1984 ■ 913.451.1882 p ■ 913.451.2211 f
120 E Ninth ■ Lawrence, KS 66044-2682 ■ 785.842.8844 p ■ 785.842.9049 f
900 Massachusetts, Suite 301 ■ Lawrence, KS 66044-2868 ■ 785.749.5050 p ■ 785.749.5061 f

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, 2011, 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, 2010, from which such partial information was derived.

Mike Houser: Company PA

June 15, 2012

STATEMENT 1

CITY OF TONGANOXIE, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For the year ended December 31, 2011

| Funds | Restated Beginning Unencumbered Cash Balances | Prior Year Cancelled Encumbrances | Cash Receipts | Expenditures | Ending Unencumbered Cash Balance | Add: Outstanding Encumbrances and Accounts Payable | Ending Cash Balance |
|-------------------------------------|---|---|---------------------|---------------------|---|--|---------------------------|
| General | \$ 163,352 | \$ - | \$ 2,005,499 | \$ 1,901,896 | \$ 266,956 | \$ 46,351 | \$ 313,307 |
| Special Revenue Funds: | | | | | | | |
| Special Parks and Recreation | 5,293 | - | 4,341 | 4,039 | 5,595 | - | 5,595 |
| Special Highway | 204,177 | - | 145,726 | 220,191 | 129,712 | - | 129,712 |
| Library | - | - | 263,222 | 263,222 | - | - | - |
| Employee Benefit | 48,961 | - | 526,188 | 503,390 | 71,759 | - | 71,759 |
| Fire Department Equipment Reserve | 333,859 | - | 79,653 | 87,606 | 325,906 | - | 325,906 |
| Police Department Equipment Reserve | 11,500 | - | 27,054 | 11,992 | 26,562 | - | 26,562 |
| Law Enforcement Trust | 7,923 | - | 3,140 | - | 11,063 | - | 11,063 |
| Transient Guest Tax | 641 | - | 5,273 | 2,500 | 3,414 | - | 3,414 |
| Debt Service Fund: | | | | | | | |
| Bond and Interest | 276,147 | - | 74,676 | 311,666 | 39,157 | - | 39,157 |
| Capital Project | 489,279 | - | 310,285 | 343,070 | 456,494 | - | 456,494 |
| Enterprise Funds: | | | | | | | |
| Water | 483,612 | - | 1,807,341 | 1,444,303 | 846,650 | 15,104 | 861,754 |
| Sewer | 752,801 | - | 526,947 | 698,720 | 581,028 | 5,991 | 587,019 |
| Sanitation | 37,713 | - | 306,183 | 306,904 | 36,992 | 23,056 | 60,048 |
| Totals | <u>\$ 2,815,258</u> | <u>\$ -</u> | <u>\$ 6,085,528</u> | <u>\$ 6,099,499</u> | <u>\$ 2,801,288</u> | <u>\$ 90,502</u> | <u>\$ 2,891,790</u> |

Composition of Cash:

| | |
|---|--------------------|
| First State Bank & Trust of Tonganoxie, Kansas | |
| General checking | \$2,838,311 |
| Certificate of deposit | 58,740 |
| Revolving loan | <u>14,286</u> |
| Total Cash | 2,911,338 |
| Less: Agency Funds per Statement 3, 15 of 15 | <u>[19,548]</u> |
| Total Reporting Entity (Excluding Agency Funds) | <u>\$2,891,790</u> |

CITY OF TONGANOXIE, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
For the year ended December 31, 2011

| <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 | \$ 2,089,842 | \$ - | \$ 2,089,842 | \$ 1,901,896 | \$ 187,946 |
| Special Revenue Funds: | | | | | |
| Special Parks and Recreation | 5,000 | - | 5,000 | 4,039 | 961 |
| Special Highway | 229,000 | - | 229,000 | 220,191 | 8,809 |
| Library | 303,428 | - | 303,428 | 263,222 | 40,206 |
| Employee Benefit | 605,759 | 33,975 | 639,734 | 503,390 | 136,344 |
| Fire Department Equipment Reserve | 139,921 | - | 139,921 | 87,606 | 52,315 |
| Police Department Equipment Reserve | 20,000 | - | 20,000 | 11,992 | 8,008 |
| Law Enforcement Trust | 1,000 | - | 1,000 | - | 1,000 |
| Transient Guest Tax | 3,000 | - | 3,000 | 2,500 | 500 |
| Debt Service Fund: | | | | | |
| Bond and Interest | 884,391 | - | 884,391 | 311,666 | 572,725 |
| Capital Project Fund | 575,668 | - | 575,668 | 343,070 | 232,598 |
| Enterprise Funds: | | | | | |
| Water | 1,566,227 | - | 1,566,227 | 1,444,303 | 121,924 |
| Sewer | 858,500 | - | 858,500 | 698,720 | 159,780 |
| Sanitation | 345,896 | - | 345,896 | 306,904 | 38,992 |

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, 2011

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

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|-------------------|---------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Cash Receipts | | | | |
| Taxes | \$ 811,464 | \$ 1,053,724 | \$ 1,100,826 | \$ [47,102] |
| Intergovernmental | 484,893 | 529,411 | 521,391 | 8,020 |
| Licenses and permits | 28,767 | 23,835 | 32,225 | [8,390] |
| Fines and fees | 203,196 | 190,167 | 200,000 | [9,833] |
| Use of money and property | 19,881 | 15,144 | 25,000 | [9,856] |
| Charges for services | 121,447 | 118,350 | 155,000 | [36,650] |
| Economic development | 1,469 | 435 | - | 435 |
| Miscellaneous | 13,072 | 24,433 | 400 | 24,033 |
| Transfers in | - | 50,000 | 50,000 | - |
| Total Cash Receipts | <u>1,684,189</u> | <u>2,005,499</u> | <u>\$ 2,084,842</u> | <u>\$ [79,343]</u> |
| Expenditures and Transfers Subject to Budget | | | | |
| General government | 79,261 | 45,861 | \$ 53,400 | \$ 7,539 |
| Administration | 344,667 | 473,521 | 493,990 | 20,469 |
| Police department | 678,382 | 669,727 | 698,992 | 29,265 |
| Fire department | 287,679 | 278,822 | 305,800 | 26,978 |
| Highway and streets | 316,541 | 223,487 | 252,540 | 29,053 |
| Swimming pool | 125,742 | 132,770 | 151,905 | 19,135 |
| Equipment reserve | 7,998 | 24,646 | - | [24,646] |
| Contingency reserve | 1,337 | 4,605 | - | [4,605] |
| Animal control | 13,009 | 26,373 | 17,850 | [8,523] |
| Court and legal department | 17,505 | 22,084 | 113,317 | 91,233 |
| Miscellaneous | - | - | 2,048 | 2,048 |
| Total Expenditures and Transfers Subject to Budget | <u>1,872,121</u> | <u>1,901,896</u> | <u>\$ 2,089,842</u> | <u>\$ 187,946</u> |
| Excess [deficiency] of revenues over [under] expenditures | [187,932] | 103,603 | | |
| Unencumbered Cash, Beginning | <u>351,284</u> | <u>163,352</u> | | |
| Unencumbered Cash, Ending | <u>\$ 163,352</u> | <u>\$ 266,956</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, 2011

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

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|-----------------|-----------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Cash Receipts | | | | |
| Intergovernmental | \$ 5,331 | \$ 4,341 | \$ 4,696 | \$ [355] |
| Total Cash Receipts | <u>5,331</u> | <u>4,341</u> | <u>\$ 4,696</u> | <u>\$ [355]</u> |
| Expenditures and Transfers Subject to Budget | | | | |
| Culture and recreation | | | | |
| Contractual services | <u>2,600</u> | <u>4,039</u> | <u>\$ 5,000</u> | <u>\$ 961</u> |
| Total Expenditures and Transfers Subject to Budget | <u>2,600</u> | <u>4,039</u> | <u>\$ 5,000</u> | <u>\$ 961</u> |
| Excess [deficiency] of revenues over [under] expenditures | 2,731 | 302 | | |
| Unencumbered Cash, Beginning | <u>2,562</u> | <u>5,293</u> | | |
| Unencumbered Cash, Ending | <u>\$ 5,293</u> | <u>\$ 5,595</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, 2011
(With comparative actual amounts for the year ended December 31, 2010)

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|-------------------|-------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Cash Receipts | | | | |
| Intergovernmental | \$ 203,688 | \$ 145,726 | \$ 134,740 | \$ 10,986 |
| Reimbursements | 7,613 | - | - | - |
| Loan proceeds | 645,473 | - | - | - |
| Bond proceeds | <u>865,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Cash Receipts | <u>1,721,774</u> | <u>145,726</u> | <u>\$ 134,740</u> | <u>\$ 10,986</u> |
| Expenditures and Transfers Subject to Budget | | | | |
| Public works | 873,134 | 220,191 | \$ 229,000 | \$ 8,809 |
| Debt service | <u>38,117</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures and Transfers Subject to Budget | <u>911,251</u> | <u>220,191</u> | <u>\$ 229,000</u> | <u>\$ 8,809</u> |
| Excess [deficiency] of revenues over [under] expenditures | 810,523 | [74,465] | | |
| Unencumbered Cash, Beginning | <u>[606,346]</u> | <u>204,177</u> | | |
| Unencumbered Cash, Ending | <u>\$ 204,177</u> | <u>\$ 129,712</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, 2011

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

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|----------------|-------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Cash Receipts | | | | |
| Taxes | \$ 267,850 | \$ 263,222 | \$ 303,428 | \$ [40,206] |
| Total Cash Receipts | <u>267,850</u> | <u>263,222</u> | <u>\$ 303,428</u> | <u>\$ [40,206]</u> |
| Expenditures and Transfers Subject to Budget | | | | |
| Appropriation | 267,850 | 263,222 | \$ 302,809 | \$ 39,587 |
| Miscellaneous | <u>-</u> | <u>-</u> | <u>619</u> | <u>619</u> |
| Total Expenditures and Transfers Subject to Budget | <u>267,850</u> | <u>263,222</u> | <u>\$ 303,428</u> | <u>\$ 40,206</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, 2011
(With comparative actual amounts for the year ended December 31, 2010)

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|------------------|-------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Cash Receipts | | | | |
| Taxes | \$ 279,550 | \$ 338,177 | \$ 358,890 | \$ [20,713] |
| Reimbursements | 30,026 | 33,975 | 30,000 | 3,975 |
| Transfers in | <u>131,871</u> | <u>154,036</u> | <u>154,036</u> | <u>-</u> |
| Total Cash Receipts | <u>441,447</u> | <u>526,188</u> | <u>\$ 542,926</u> | <u>\$ [16,738]</u> |
| Expenditures and Transfers Subject to Budget | | | | |
| General government | | | | |
| Personal services | 509,510 | 503,390 | \$ 604,935 | \$ 101,545 |
| Miscellaneous | - | - | 824 | 824 |
| Adjustment for qualifying budget credit | <u>-</u> | <u>-</u> | <u>33,975</u> | <u>33,975</u> |
| Total Expenditures and Transfers Subject to Budget | <u>509,510</u> | <u>503,390</u> | <u>\$ 639,734</u> | <u>\$ 136,344</u> |
| Excess [deficiency] of revenues over [under] expenditures | [68,063] | 22,798 | | |
| Unencumbered Cash, Beginning | <u>117,024</u> | <u>48,961</u> | | |
| Unencumbered Cash, Ending | <u>\$ 48,961</u> | <u>\$ 71,759</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, 2011

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

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|-------------------|-------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Cash Receipts | | | | |
| Fines and fees | \$ 78,981 | \$ 74,653 | \$ 70,000 | \$ 4,653 |
| Donations | 4,716 | 5,000 | - | 5,000 |
| Loan proceeds | 35,000 | - | - | - |
| Bond proceeds | <u>210,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Cash Receipts | <u>328,697</u> | <u>79,653</u> | <u>\$ 70,000</u> | <u>\$ 9,653</u> |
| Expenditures and Transfers Subject to Budget | | | | |
| Capital outlay | <u>101,889</u> | <u>87,606</u> | <u>\$ 139,921</u> | <u>\$ 52,315</u> |
| Total Expenditures and Transfers Subject to Budget | <u>101,889</u> | <u>87,606</u> | <u>\$ 139,921</u> | <u>\$ 52,315</u> |
| Excess [deficiency] of revenues over [under] expenditures | 226,808 | [7,953] | | |
| Unencumbered Cash, Beginning | <u>107,051</u> | <u>333,859</u> | | |
| Unencumbered Cash, Ending | <u>\$ 333,859</u> | <u>\$ 325,906</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, 2011
(With comparative actual amounts for the year ended December 31, 2010)

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|------------------|------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Cash Receipts | | | | |
| Fines and fees | \$ 11,703 | \$ 27,054 | \$ 10,000 | \$ 17,054 |
| Total Cash Receipts | <u>11,703</u> | <u>27,054</u> | <u>\$ 10,000</u> | <u>\$ 17,054</u> |
| Expenditures and Transfers Subject to Budget | | | | |
| Capital outlay | <u>13,943</u> | <u>11,992</u> | <u>\$ 20,000</u> | <u>\$ 8,008</u> |
| Total Expenditures and Transfers Subject to Budget | <u>13,943</u> | <u>11,992</u> | <u>\$ 20,000</u> | <u>\$ 8,008</u> |
| Excess [deficiency] of revenues over [under] expenditures | [2,240] | 15,062 | | |
| Unencumbered Cash, Beginning | <u>13,740</u> | <u>11,500</u> | | |
| Unencumbered Cash, Ending | <u>\$ 11,500</u> | <u>\$ 26,562</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, 2011
(With comparative actual amounts for the year ended December 31, 2010)

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|------------------|-----------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Cash Receipts | | | | |
| Grants | \$ 100 | \$ 212 | \$ 1,000 | \$ [788] |
| Seizures and forfeitures | <u>8,000</u> | <u>2,928</u> | <u>-</u> | <u>2,928</u> |
| Total Cash Receipts | <u>8,100</u> | <u>3,140</u> | <u>\$ 1,000</u> | <u>\$ 2,140</u> |
| Expenditures and Transfers Subject to Budget | | | | |
| Grant expenditures | <u>3,187</u> | <u>-</u> | <u>\$ 1,000</u> | <u>\$ 1,000</u> |
| Total Expenditures and Transfers Subject to Budget | <u>3,187</u> | <u>-</u> | <u>\$ 1,000</u> | <u>\$ 1,000</u> |
| Excess [deficiency] of revenues over [under] expenditures | 4,913 | 3,140 | | |
| Unencumbered Cash, Beginning | <u>3,010</u> | <u>7,923</u> | | |
| Unencumbered Cash, Ending | <u>\$ 7,923</u> | <u>\$ 11,063</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, 2011
(With comparative actual amounts for the year ended December 31, 2010)

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|-----------------|-----------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Cash Receipts | | | | |
| Intergovernmental | \$ 458 | \$ 5,273 | \$ 5,273 | \$ - |
| Total Cash Receipts | <u>458</u> | <u>5,273</u> | <u>\$ 5,273</u> | <u>\$ -</u> |
| Expenditures and Transfers Not Subject to Budget | | | | |
| Contractual services | <u>5,000</u> | <u>2,500</u> | <u>\$ 3,000</u> | <u>\$ 500</u> |
| Total Expenditures and Transfers Not Subject to Budget | <u>5,000</u> | <u>2,500</u> | <u>\$ 3,000</u> | <u>\$ 500</u> |
| Excess [deficiency] of revenues over [under] expenditures | [4,542] | 2,773 | | |
| Unencumbered Cash, Beginning | <u>5,183</u> | <u>641</u> | | |
| Unencumbered Cash, Ending | <u>\$ 641</u> | <u>\$ 3,414</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, 2011
(With comparative actual amounts for the year ended December 31, 2010)

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|------------------|-------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Cash Receipts | | | | |
| Taxes | \$ 283,017 | \$ 74,676 | \$ 76,550 | \$ [1,874] |
| Bond proceeds | <u>1,705,000</u> | <u>-</u> | <u>338,338</u> | <u>[338,338]</u> |
| Total Cash Receipts | <u>1,988,017</u> | <u>74,676</u> | <u>\$ 414,888</u> | <u>\$ [340,212]</u> |
| Expenditures and Transfers Subject to Budget | | | | |
| Debt service | <u>2,323,085</u> | <u>311,666</u> | <u>\$ 884,391</u> | <u>\$ 572,725</u> |
| Total Expenditures and Transfers Subject to Budget | <u>2,323,085</u> | <u>311,666</u> | <u>\$ 884,391</u> | <u>\$ 572,725</u> |
| Excess [deficiency] of revenues over [under] expenditures | [335,068] | [236,990] | | |
| Unencumbered Cash, Beginning | <u>611,215</u> | <u>276,147</u> | | |
| Unencumbered Cash, Ending | <u>\$ 276,147</u> | <u>\$ 39,157</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, 2011
(With comparative actual amounts for the year ended December 31, 2010)

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|-------------------|-------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Cash Receipts | | | | |
| Intergovernmental | \$ 306,196 | \$ 310,246 | \$ 285,000 | \$ 25,246 |
| Bond proceeds | 295,216 | - | - | - |
| Proceeds from sale | <u>18,794</u> | <u>39</u> | <u>-</u> | <u>39</u> |
| Total Cash Receipts | <u>620,206</u> | <u>310,285</u> | <u>\$ 285,000</u> | <u>\$ 25,285</u> |
| Expenditures and Transfers Subject to Budget | | | | |
| Capital outlay | <u>472,469</u> | <u>343,070</u> | <u>\$ 575,668</u> | <u>\$ 232,598</u> |
| Total Expenditures and Transfers Subject to Budget | <u>472,469</u> | <u>343,070</u> | <u>\$ 575,668</u> | <u>\$ 232,598</u> |
| Excess [deficiency] of revenues over [under] expenditures | 147,737 | [32,785] | | |
| Unencumbered Cash, Beginning | <u>341,542</u> | <u>489,279</u> | | |
| Unencumbered Cash, Ending | <u>\$ 489,279</u> | <u>\$ 456,494</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, 2011

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

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|--|-------------------------|-------------------|---------------------|------------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Charges for services | \$ 1,194,400 | \$ 1,209,154 | \$ 921,775 | \$ 287,379 |
| Lease proceeds | 1,516,222 | 578,873 | 595,000 | [16,127] |
| Sale of property | 95,000 | - | - | - |
| Use of money and property | 291 | 4,314 | - | 4,314 |
| Transfer in | 67,000 | - | - | - |
| Miscellaneous | 15,000 | 15,000 | - | 15,000 |
| Total Cash Receipts | <u>2,887,913</u> | <u>1,807,341</u> | <u>\$ 1,516,775</u> | <u>\$ 290,566</u> |
| Expenditures and Transfers Subject to Budget | | | | |
| Production and distribution | 2,310,233 | 768,500 | \$ 1,136,571 | \$ 368,071 |
| Debt service | 523,129 | 538,921 | 302,425 | [236,496] |
| Capital outlay | 39,639 | 9,651 | - | [9,651] |
| Transfers out | 128,676 | 127,231 | 127,231 | - |
| Total Expenditures and Transfers Subject to Budget | <u>3,001,677</u> | <u>1,444,303</u> | <u>\$ 1,566,227</u> | <u>\$ 121,924</u> |
| Excess [deficiency] of revenues over [under] expenditures | [113,764] | 363,038 | | |
| Unencumbered Cash, Beginning | <u>597,376</u> | <u>483,612</u> | | |
| Unencumbered Cash, Ending | <u>\$ 483,612</u> | <u>\$ 846,650</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, 2011
(With comparative actual amounts for the year ended December 31, 2010)

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|-------------------|-------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Cash Receipts | | | | |
| Charges for services | \$ 535,054 | \$ 526,947 | \$ 595,995 | \$ [69,048] |
| Loan draws | <u>221,626</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Cash Receipts | <u>756,680</u> | <u>526,947</u> | <u>\$ 595,995</u> | <u>\$ [69,048]</u> |
| Expenditures and Transfers Subject to Budget | | | | |
| Plant operating costs | 278,540 | 286,190 | \$ 446,445 | \$ 160,255 |
| Capital outlay | 160,564 | 475 | - | [475] |
| Debt service | 263,342 | 350,342 | 350,342 | - |
| Transfers out | <u>60,511</u> | <u>61,713</u> | <u>61,713</u> | <u>-</u> |
| Total Expenditures and Transfers Subject to Budget | <u>762,957</u> | <u>698,720</u> | <u>\$ 858,500</u> | <u>\$ 159,780</u> |
| Excess [deficiency] of revenues over [under] expenditures | [6,277] | [171,773] | | |
| Unencumbered Cash, Beginning | <u>759,078</u> | <u>752,801</u> | | |
| Unencumbered Cash, Ending | <u>\$ 752,801</u> | <u>\$ 581,028</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, 2011
(With comparative actual amounts for the year ended December 31, 2010)

| | Prior Year Actual | Current Year | | Variance Positive [Negative] |
|--|-------------------------|------------------|-------------------|------------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Charges for services | \$ 305,399 | \$ 306,183 | \$ 350,000 | \$ [43,817] |
| Total Cash Receipts | <u>305,399</u> | <u>306,183</u> | <u>\$ 350,000</u> | <u>\$ [43,817]</u> |
| Expenditures and Transfers Subject to Budget | | | | |
| Contractual services | 294,879 | 291,812 | \$ 330,804 | \$ 38,992 |
| Transfer out | <u>9,684</u> | <u>15,092</u> | <u>15,092</u> | <u>-</u> |
| Total Expenditures and Transfers Subject to Budget | <u>304,563</u> | <u>306,904</u> | <u>\$ 345,896</u> | <u>\$ 38,992</u> |
| Excess [deficiency] of revenues over [under] expenditures | 836 | [721] | | |
| Unencumbered Cash, Beginning | <u>36,877</u> | <u>37,713</u> | | |
| Unencumbered Cash, Ending | <u>\$ 37,713</u> | <u>\$ 36,992</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, 2011

| | Balance December 31, <u>2010</u> | <u>Receipts</u> | <u>Expenditures</u> | Balance December 31, <u>2011</u> |
|------------------|--|---------------------|---------------------|--|
| Payroll clearing | \$ 11,753 | \$ 1,462,974 | \$ 1,469,466 | \$ 5,261 |
| Revolving loan | <u>11,108</u> | <u>17,785</u> | <u>14,606</u> | <u>14,287</u> |
| Total | <u>\$ 22,861</u> | <u>\$ 1,480,759</u> | <u>\$ 1,484,072</u> | <u>\$ 19,548</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, 2011

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, 2011

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, 2011

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 2011 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. The 2011 budget was amended for the Special Parks and Recreation, Transient Guest Tax, Water Capital and Sewer Funds.

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 K.S.A. 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 K.S.A. 9-1402.

CITY OF TONGANOXIE, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2011

NOTE 3 - Interfund Transactions

Transfers were as follows:

| | <u>From</u> | <u>To</u> |
|-----------------------|-------------------|-------------------|
| General Fund | \$ - | \$ 50,000 |
| Water Fund | 127,231 | - |
| Sewer Fund | 61,713 | - |
| Sanitation Fund | 15,092 | - |
| Employee Benefit Fund | - | 154,036 |
| | <u>\$ 204,036</u> | <u>\$ 204,036</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 7.74% from January 1 to December 31, 2011. The employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$98,822, \$91,119, and \$83,085 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, 2011 is \$39,601. 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, 2011

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 | \$ 1,300,000 |
| 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 | 400,000 |
| Public Works Building Ser. 2007 | 10/15/07 | 9/1/22 | 3.55 - 3.95% | 1,720,000 | 1,620,000 |
| Swimming Pool and Water Park Ser. 2007 | 10/15/07 | 9/1/17 | 3.50 - 3.7% | 2,990,000 | 2,190,000 |
| Downtown Revitalization Ser. 2000 | 12/01/00 | 9/1/21 | 4.85 - 6.50% | 630,000 | 105,000 |
| Total | | | | <u>\$ 10,535,000</u> | <u>\$ 8,395,000</u> |

Following is a summary of changes in long-term debt for the year ended December 31, 2011:

| <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 | \$ 525,000 | \$ - | \$ 125,000 | \$ 400,000 |
| Public Works Building Ser. 2007 | 1,670,000 | - | 50,000 | 1,620,000 |
| Swimming Pool and Water Park Ser. 2007 | 2,440,000 | - | 250,000 | 2,190,000 |
| Improvements Ser. 2009 | 1,350,000 | - | 50,000 | 1,300,000 |
| Improvements Ser. 2010A | 1,075,000 | - | - | 1,075,000 |
| Improvements Ser. 2010B | 1,705,000 | - | - | 1,705,000 |
| Downtown Revitalization Ser. 2000 | 110,000 | - | 5,000 | 105,000 |
| Total | <u>\$ 8,875,000</u> | <u>\$ -</u> | <u>\$ 480,000</u> | <u>\$ 8,395,000</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> |
|---------------------------------|---------------------|---------------------|---------------------------|
| 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 | 625,000 | 153,140 | 778,140 |
| 2017-2021 | 2,750,000 | 446,872 | 3,196,872 |
| 2022-2026 | 630,000 | 132,048 | 762,048 |
| 2027-2029 | 285,000 | 27,365 | 312,365 |
| Totals | <u>\$ 8,395,000</u> | <u>\$ 1,640,896</u> | <u>\$ 10,035,896</u> |

CITY OF TONGANOXIE, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2011

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

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 | \$ 205,000 |
| Water and Sewer Improvement | 12/01/02 | 12/1/16 | 3.5 - 4.5% | <u>1,510,000</u> | <u>605,000</u> |
| Total | | | | <u>\$ 1,880,000</u> | <u>\$ 810,000</u> |

Following is a summary of changes in enterprise fund general obligation bonds for the year ended December 31, 2011:

| <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 | \$ 240,000 | \$ - | \$ 35,000 | \$ 205,000 |
| Water and Sewer Improvement | <u>710,000</u> | <u>-</u> | <u>105,000</u> | <u>605,000</u> |
| Total | <u>\$ 950,000</u> | <u>\$ -</u> | <u>\$ 140,000</u> | <u>\$ 810,000</u> |

Enterprise funds general obligation bonds debt service requirements to maturity:

| <u>Year ending December 31.</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|---------------------------------|-------------------|-------------------|---------------------------|
| 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 | <u>180,000</u> | <u>7,920</u> | <u>187,920</u> |
| Totals | <u>\$ 810,000</u> | <u>\$ 108,073</u> | <u>\$ 918,073</u> |

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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 the revolving loan for the year ended December 31, 2011:

| <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 | \$ 166,593 | \$ - | \$ 79,676 | \$ 86,917 |

Required payments are as follows as of December 31, 2011:

| <u>Year ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-------------------------------------|------------------|-----------------|-----------------------------------|
| 2012 | \$ 62,804 | \$ 2,522 | \$ 65,326 |
| 2013 | 24,113 | 456 | 24,569 |
| Totals | <u>\$ 86,917</u> | <u>\$ 2,978</u> | <u>\$ 89,895</u> |

In 2003, the City authorized the execution of a \$4,382,650 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.

Following is a summary of changes in the revolving loan for the year ended December 31, 2011:

| <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 | \$ 4,166,499 | \$ - | \$ 138,288 | \$ 4,028,211 |

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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

Required payments, for entire amount of proceeds, are as follows on the loan as of December 31, 2011:

| Year ending <u>December 31,</u> | <u>Principal</u> | <u>Interest</u> | Total Debt <u>Service</u> |
|------------------------------------|---------------------|---------------------|---------------------------------|
| 2012 | \$ 139,231 | \$ 127,828 | \$ 267,059 |
| 2013 | 145,253 | 123,810 | 269,063 |
| 2014 | 149,761 | 119,668 | 269,429 |
| 2015 | 154,409 | 115,397 | 269,806 |
| 2016 | 280,126 | 110,144 | 390,270 |
| 2017-2022 | 1,674,686 | 424,847 | 2,099,533 |
| 2023-2026 | <u>1,484,745</u> | <u>130,055</u> | <u>1,614,800</u> |
| Totals | <u>\$ 4,028,211</u> | <u>\$ 1,151,748</u> | <u>\$ 5,179,959</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. Outstanding balances on these loans were \$171,697 and \$449,500 at December 31, 2011.

Required payments are as follows on the loans as of December 31, 2011:

| Year ending <u>December 31,</u> | <u>Principal</u> | <u>Interest</u> | Total Debt <u>Service</u> |
|------------------------------------|-------------------|-------------------|---------------------------------|
| 2012 | \$ 25,012 | \$ 21,121 | \$ 46,133 |
| 2013 | 25,925 | 20,270 | 46,195 |
| 2014 | 26,871 | 19,389 | 46,260 |
| 2015 | 27,852 | 18,475 | 46,327 |
| 2016 | 28,869 | 17,528 | 46,397 |
| 2017-2021 | 160,940 | 72,182 | 233,121 |
| 2022-2026 | 192,535 | 42,751 | 235,286 |
| 2027-2029 | <u>133,194</u> | <u>9,165</u> | <u>142,358</u> |
| Totals | <u>\$ 621,197</u> | <u>\$ 220,880</u> | <u>\$ 842,078</u> |

In 2010, the City authorized the execution of a \$2,100,346 water supply loan with the Kansas Department of Health and Environment. The City will repay the loan over a 20 year period ending in August 2031. The gross interest rate being charged on this loan is 3.63%.

CITY OF TONGANOXIE, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

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

Following is a summary of changes in revolving loan for the year ended December 31, 2011:

| <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 Water Supply Loan | \$ 1,523,741 | \$ 576,605 | \$ - | \$ 2,100,346 |

Required payments are as follows on the loan as of December 31, 2011:

| <u>Year ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-------------------------------------|---------------------|-------------------|-----------------------------------|
| 2012 | \$ 73,529 | \$ 75,056 | \$ 148,585 |
| 2013 | 75,692 | 72,893 | 148,585 |
| 2014 | 78,465 | 70,120 | 148,585 |
| 2015 | 81,339 | 67,246 | 148,585 |
| 2016 | 84,318 | 64,267 | 148,585 |
| 2017-2021 | 470,245 | 272,680 | 742,925 |
| 2022-2026 | 562,914 | 180,011 | 742,925 |
| 2027-2029 | 673,844 | 69,081 | 742,925 |
| Totals | <u>\$ 2,100,346</u> | <u>\$ 871,352</u> | <u>\$ 2,971,698</u> |

NOTE 7 - Leases

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

Following is a summary of changes in leases for the year ended December 31, 2011:

| <u>Type of Issue</u> | <u>Beginning Principal Outstanding</u> | <u>Beginning Principal Restatement</u> | <u>Additions to Principal</u> | <u>Reductions of Principal</u> | <u>Ending Principal Outstanding</u> |
|-------------------------|--|--|---------------------------------------|--|---|
| 2009 Crown Victoria (2) | \$ - | \$ 31,590 | \$ - | \$ 21,060 | \$ 10,530 |
| 27 V Force Coats | 22,508 | - | - | 8,982 | 13,526 |
| Fire Trucks (2) | 264,705 | - | - | 35,412 | 229,293 |
| 2011 Ford F250 | 35,000 | - | - | 4,085 | 30,915 |
| 2011 Crown Victoria | 20,002 | - | - | 9,878 | 10,124 |
| Motorola Communications | - | - | 87,537 | 12,505 | 75,032 |
| Ford Fire Truck | 11,069 | - | - | 5,601 | 5,468 |
| Totals | <u>\$ 353,284</u> | <u>\$ 31,590</u> | <u>\$ 87,537</u> | <u>\$ 97,523</u> | <u>\$ 374,888</u> |

CITY OF TONGANOXIE, KANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2011

NOTE 7 – Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

| <u>Year Ending</u> <u>December 31,</u> | <u>Payment</u> <u>Due</u> |
|---|------------------------------|
| 2012 | \$ 102,882 |
| 2013 | 70,800 |
| 2014 | 66,517 |
| 2015 | 66,517 |
| 2016 | 66,517 |
| 2017 | <u>42,375</u> |
| Total minimum lease payments | 415,609 |
| Less: amount representing interest | <u>40,721</u> |
| Present value of minimum lease payments | <u>\$ 374,888</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.

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

NOTE 9 - 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 10 – 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 2011:

| <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 | \$ 635,632 | \$ - | \$ 52,578 | \$ 583,054 |