

CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENT
(with Independent Auditors' Report thereon)

For the Year Ended December 31, 2016

CITY OF TONGANOXIE, KANSAS
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Kramer & Associates CPAs, LLC

Making the right move for your business

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Tonganoxie, Kansas

REPORT ON THE FINANCIAL STATEMENT

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Tonganoxie, Kansas (the City), as of and for the year ended December 31, 2016 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1 of the financial statement, the financial statement is prepared by the City to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2016, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2016, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

REPORT ON REGULATORY-REQUIRED AND OTHER SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures - actual and budget, individual fund schedules of regulatory basis receipts and expenditures - actual and budget, schedule of regulatory basis receipts and disbursements - agency funds, and schedule of regulatory basis receipts, expenditures, and unencumbered cash - district activity funds are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

KRAMER & ASSOCIATES CPAs, LLC

Kramer & Associates CPAs, LLC
Leavenworth, Kansas
July 3, 2017

CITY OF TONGANOXIE, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the year ended December 31, 2016

Funds	Beginning unencumbered cash balance	Prior year cancelled encumbrances	Receipts	Expenditures	Ending unencumbered cash balance	Add encumbrances and accounts payable	Ending cash balance
Governmental type funds:							
General fund:							
General	\$ 445,870	\$ -	\$ 2,696,190	\$ 2,708,240	\$ 433,820	\$ (23,522)	\$ 410,298
Special purpose funds:							
Special parks and recreation	14,827	-	4,667	4,452	15,042	-	15,042
Special highway	134,728	-	187,485	173,239	148,974	-	148,974
Library operations	6,870	-	320,280	315,747	11,403	(2,674)	8,729
Police department equipment reserve	41,269	-	15,114	40,773	15,610	(1,500)	14,110
Fire department equipment reserve	89,312	-	101,371	94,233	96,450	-	96,450
Law enforcement trust	5,841	-	10	4,245	1,606	-	1,606
Transient guest tax	5,528	-	-	4,000	1,528	-	1,528
Water park sales tax	920	-	381,996	376,096	6,820	-	6,820
Insurance proceeds	24,434	-	-	-	24,434	-	24,434
Debt proceeds	-	-	1,090,109	1,090,109	-	-	-
Gallagher Park	19,160	-	2,100	6,303	14,957	-	14,957
Festival/Event	-	-	78,620	68,347	10,273	-	10,273
Debt service fund:							
Bond and interest	229,360	-	757,909	737,348	249,921	-	249,921
Capital projects funds:							
Capital projects	211,306	-	448,878	482,950	177,234	-	177,234
Capital reserve	915	-	-	-	915	-	915
Business funds:							
Water operations	325,520	-	1,170,212	1,133,707	362,025	1,268	363,293
Water capital improvement	247,297	-	48,365	22,337	273,325	-	273,325
Sewer operations	215,726	-	801,609	744,103	273,232	4,186	277,418
Sewer capital improvement	266,429	-	46,750	5,147	308,032	-	308,032
Sanitation	106,359	-	339,484	324,983	120,860	-	120,860
Total reporting entity (excluding agency fund)	<u>\$ 2,391,671</u>	<u>\$ -</u>	<u>\$ 8,491,149</u>	<u>\$ 8,336,359</u>	<u>\$ 2,546,461</u>	<u>\$ (22,242)</u>	<u>\$ 2,524,219</u>
			Composition of cash:				
			General checking				\$ 2,308,438
			Certificate of deposit				63,712
			Revolving loan				44,302
			Investments				187,280
			Total cash				2,603,732
			Less agency funds				(79,513)
			Total reporting entity (excluding agency funds)				<u>\$ 2,524,219</u>

CITY OF TONGANOXIE, KANSAS
Notes to the Financial Statement
For the year ended December 31, 2016

1. Summary of significant accounting policies

a. Municipal financial reporting entity

The City of Tonganoxie, Kansas, (the City), is a municipal corporation governed by an elected mayor and five-member council. This financial statement presents the City (the primary government) and excludes all related municipal entities of which the City appointed a voting majority of the unit's board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. The financial statement of the City consists only of the funds of the primary government.

b. Related Municipal Entity That is Not Presented

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

c. Basis of accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities, or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a (c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

1. Summary of significant accounting policies (continued)

d. Regulatory basis fund types

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

e. Governmental fund types

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

The following types of funds comprise the financial activities of the City for the year ended December 31, 2016:

- a. General fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.
- b. Special purpose fund - used to account for the proceeds of specific tax levies and other specific regulatory receipts sources (other than capital projects and tax levies for long-term debt) that are intended for specified purposes.
- c. Bond and interest fund - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.
- d. Capital projects fund - used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.
- e. Business fund - funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.)
- f. Agency fund - funds used to report assets held by the City in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

1. Summary of significant accounting policies (continued)

f. Ad valorem tax revenues

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

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

2. Stewardship, compliance, and accountability

a. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

The statutes allow for the city council to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

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

2. Stewardship, compliance, and accountability (continued)

a. Budgetary information (continued)

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by documents evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, agency funds, and certain special purpose funds as follows: Police Department Equipment Reserve Fund, Fire Department Equipment Reserve Fund, Law Enforcement Trust Fund, Insurance Proceeds, Debt Proceeds, Gallagher Park Fund, Festival/Event Fund and the Water Park Sales Tax Fund.

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

b. Compliance with Kansas Statutes

Management is not aware of any statutory violations for the period covered by the audit.

3. Deposits and investments

As of December 31, 2016, the City had the following investments with maturities less than one year:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Kansas Municipal Investment Pool	\$ 187,280	S&P AA+ / S1+
Total	<u>\$ 187,280</u>	

Deposits. K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

3. Deposits and investments (continued)

Investments. K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Some of the City's investments are of bond proceeds invested pursuant to K.S.A. 10-131. This statute allows additional investment authority beyond that of K.S.A. 12-1675. Investments of bond proceeds may follow K.S.A. 12-1675 or include other investments such as the KMIP, direct obligations of the US government or any agency thereof, investment agreements with a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's investors service or Standard and Poor's corporation, and various other investments as specified in K.S.A. 10-131.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2016, is as follows:

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

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2016.

At December 31, 2016, the City's carrying amount of deposits was \$2,416,452 and the bank balance was \$2,466,645. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remaining \$2,216,645 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

3. Deposits and investments (continued)

At December 31, 2016, City had invested \$187,280 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The fair value of the City's position in the municipal investment pool is substantially the same as the value of the pool shares.

4. Long-term debt

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

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

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

General obligation bonds currently outstanding and a summary of changes in leases for the year ended December 31, 2016 are presented on the following pages.

4. Long-term debt (continued)

a. Changes in long-term liabilities for the City for the year ended December 31, 2016, were as follows:

Issue	Interest rate	Date of issue	Amount of issue	Date of final maturity	Balance beginning of year	Additions	Reductions/ payments	Balance end of year	Interest Paid
General obligation bonds:									
Series 2000	4.85%-6.50%	12/01/2000	\$ 630,000	09/01/2021	\$ 65,000	\$ -	\$ (10,000)	\$ 55,000	\$ 4,262
Series 2002	3.50%-4.50%	12/01/2002	\$1,510,000	12/01/2016	135,000	-	(135,000)	-	6,075
Series 2006A	3.70%-4.10%	07/15/2006	\$ 370,000	09/01/2016	45,000	-	(45,000)	-	1,845
Series 2007A	3.55%-3.95%	10/15/2007	\$1,720,000	09/01/2022	1,275,000	-	(140,000)	1,135,000	48,750
Series 2007B	3.50%-3.70%	10/15/2007	\$2,990,000	09/01/2017	875,000	-	(415,000)	460,000	32,168
Series 2009A	2.80%-4.75%	04/01/2009	\$1,350,000	09/01/2029	1,080,000	-	(60,000)	1,020,000	45,563
Series 2010A	2.25%-3.15%	05/10/2010	\$1,075,000	09/01/2020	910,000	-	(85,000)	825,000	26,140
Series 2013A	2.25%-4.30%	01/29/2013	\$1,760,000	07/01/2033	1,690,000	-	(75,000)	1,615,000	57,255
Series 2013B	2.00-2.70%	01/29/2013	\$6,355,000	08/01/2031	5,680,000	-	(360,000)	5,320,000	118,078
Capital leases:									
2006 Fire Trucks	4.93%	12/01/2006	\$ 400,000	09/17/2017	68,747	-	(45,208)	23,539	2,885
2011 Ford F25	3.72%	05/17/2010	\$ 35,000	07/01/2018	11,134	-	(5,432)	5,702	370
Motorola Radi	0.00%	08/27/2010	\$ 87,537	08/01/2017	30,295	-	(15,147)	15,148	-
Police									
Department and City Hall	2.44%	02/16/2016	\$1,100,000	09/01/2035	-	1,100,000	(53,788)	1,046,212	14,538
Total long-term debt					<u>\$11,865,176</u>	<u>\$1,100,000</u>	<u>\$(1,444,575)</u>	<u>\$11,520,601</u>	<u>\$ 357,929</u>

4. Long-term debt (continued)

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

Principal:	Year ended December 31,									Total
	2017	2018	2019	2020	2021	2022-2026	2027-2031	2032-2036		
G.O. Bonds:										
Series 2000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 15,000	\$ -	\$ -	\$ -	\$ 55,000	
Series 2006A	-	-	-	-	-	-	-	-	-	
Series 2007A	145,000	150,000	190,000	205,000	220,000	225,000	-	-	1,135,000	
Series 2007B	460,000	-	-	-	-	-	-	-	460,000	
Series 2009A	60,000	65,000	65,000	70,000	70,000	405,000	285,000	-	1,020,000	
Series 2010A	85,000	235,000	250,000	255,000	-	-	-	-	825,000	
Series 2013A	80,000	80,000	80,000	85,000	80,000	450,000	525,000	235,000	1,615,000	
Series 2013B	385,000	385,000	395,000	400,000	555,000	2,310,000	890,000	-	5,320,000	
Capital leases:										
2006 Fire Trucks	23,539	-	-	-	-	-	-	-	23,539	
2011 Ford F250	5,702	-	-	-	-	-	-	-	5,702	
Motorola Radi Police	15,147	-	-	-	-	-	-	-	15,147	
Department and City Hall	41,854	43,089	\$ 44,360	45,668	47,016	256,719	296,886	270,620	1,046,212	
Total principal	1,311,242	968,089	1,034,360	1,070,668	987,016	3,646,719	1,996,886	505,620	11,520,600	
Interest:										
G.O. Bonds:										
Series 2000	\$ 3,163	\$ 2,588	\$ 2,013	\$ 2,300	\$ -	\$ -	\$ -	\$ -	\$ 10,064	
Series 2006A	-	-	-	-	-	-	-	-	-	
Series 2007A	43,570	38,205	32,580	51,715	-	-	-	-	166,070	
Series 2007B	17,020	-	-	-	-	-	-	-	17,020	
Series 2009A	43,643	41,603	39,263	36,825	34,095	123,160	27,365	-	345,954	
Series 2010A	24,185	22,230	15,533	8,033	-	-	-	-	69,981	
Series 2013A	55,568	53,768	51,968	49,968	47,418	164,320	134,518	29,875	587,403	
Series 2013B	110,878	103,178	95,478	87,578	79,578	228,288	54,510	-	759,488	
Capital leases:										
2006 Fire Trucks	684	-	-	-	-	-	-	-	684	
2011 Ford F250	162	-	-	-	-	-	-	-	162	
Motorola Radi Police	-	-	-	-	-	-	-	-	-	
Department and City Hall	25,528	24,506	\$ 23,455	22,373	21,258	88,392	55,169	16,748	277,429	
Total interest	324,401	286,078	260,290	258,792	182,349	604,160	271,562	46,623	2,234,255	
Total payments	\$1,635,643	\$1,254,167	\$1,294,650	\$1,329,460	\$ 1,169,365	\$4,250,879	\$ 2,268,448	\$ 552,243	\$13,754,855	

5. Interfund transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water Operations	General	K.S.A. 12-825d	\$ 116,160
Sewer Operations	General	K.S.A. 12-825d	106,460
Water Park Sales Tax	Bond and Interest	Bond Ordinance	376,096
Total fund transfers			<u>\$ 598,716</u>

6. Compensated absences

It is the City's policy to permit employees to earn non-cumulative vacation at different intervals based on length of service. The liability for compensated vacation time at December 31, 2016 is \$69,369. Sick leave accrues at 12 days per year and accumulates to a maximum of 90 days. No liability is reported for unpaid accumulated sick leave.

7. Defined benefit pension plan

a. Plan description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS(611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

7. Defined benefit pension plan (continued)

b. Contributions

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

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.48% for the fiscal year ended December 31, 2016. Contributions to the pension plan from the City were \$150,019 for the year ended December 31, 2016.

c. Net pension liability

At December 31, 2016, the City's proportionate share of the collective net pension liability reported by KPERS was \$1,433,973. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2016. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

8. Water purchase contract

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

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

9. County Road No. 1 contract

In 2009, the City entered into an Interlocal agreement with Leavenworth County, Kansas to pay for the City's share of the cost of improvements to County Road No. 1. Under the \$1.5 million agreement, the City will pay \$100,000 each year for 10 years, with the final payment due on September 1, 2018. The remaining \$500,000 will be paid by the City from its share of development fees collected within the boundaries of the corridor, and is due no later than September 30, 2019.

10. Recreation Commission COP's

The City has entered into an Interlocal agreement with the Tonganoxie Recreation Commission (TRC) to open a line of credit. The recreation commission is assuming these payments as part of a lease purchase agreement with the city. The debt has been issued to purchase land for the construction of athletic facilities. The following is a summary of the changes in the line of credit for 2016:

Issue	Beginning principal	Additions (reductions)	Ending principal outstanding
TRC Lease	\$ 331,417	\$ (69,775)	\$ 261,642

11. Other post employment benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

11. Other post employment benefits (continued)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

12. Subsequent event

Management has evaluated the effects on the financial statement of subsequent events occurring through the date of this report, which is the date at which the financial statement was available to be issued, and no matters were noted.

CITY OF TONGANOXIE, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the year ended December 31, 2016

Funds	Certified budget	Adjustment for qualifying budget credits	Total budget for comparison	Expenditures chargeable to current year	Variance - over (under)
Governmental type funds:					
General funds:					
General	\$ 3,136,782	\$ -	\$ 3,136,782	\$ 2,708,240	\$ (428,542)
Special purpose funds:					
Special parks and recreation	\$ 5,000	\$ -	\$ 5,000	\$ 4,452	\$ (548)
Special highway	\$ 174,100	\$ -	\$ 174,100	\$ 173,239	\$ (861)
Library operations	\$ 417,757	\$ -	\$ 417,757	\$ 315,747	\$ (102,010)
Transient guest tax	\$ 4,000	\$ -	\$ 4,000	\$ 4,000	\$ -
Debt service funds:					
Bond and interest	\$ 946,316	\$ -	\$ 946,316	\$ 737,348	\$ (208,968)
Capital projects fund	\$ 510,000	\$ -	\$ 510,000	\$ 482,950	\$ (27,050)
Business Funds:					
Water operations	\$ 1,134,499	\$ -	\$ 1,134,499	\$ 1,133,707	\$ (792)
Sewer operations	\$ 745,259	\$ -	\$ 745,259	\$ 744,103	\$ (1,156)
Sanitation	\$ 500,000	\$ -	\$ 500,000	\$ 324,983	\$ (175,017)

CITY OF TONGANOXIE, KANSAS
 GENERAL FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes	\$ 1,358,013	\$ 1,442,588	\$ (84,575)
Intergovernmental	547,574	507,000	40,574
Licenses and permits	69,933	45,450	24,483
Fines and fees	211,425	165,000	46,425
Use of money and property	16,740	25,650	(8,910)
Charges for services	127,943	114,450	13,493
Miscellaneous	141,942	179,410	(37,468)
Transfers in	222,620	222,620	-
Total cash receipts	<u>2,696,190</u>	<u>\$ 2,702,168</u>	<u>\$ (5,978)</u>
Expenditures:			
Administration	350,180	\$ 287,199	\$ 62,981
Code enforcement	67,044	68,083	(1,039)
City planning and development	20,975	467,115	(446,140)
Police department	996,792	1,068,694	(71,902)
Fire department	603,822	581,121	22,701
Highway and streets	325,764	343,671	(17,907)
Swimming pool	144,422	136,609	7,813
Court services	90,591	73,789	16,802
Animal control	23,066	26,362	(3,296)
Mayor and council	3,445	2,000	1,445
Debt management	82,139	82,139	-
Total expenditures	<u>2,708,240</u>	<u>\$ 3,136,782</u>	<u>\$ (428,542)</u>
Receipts over (under) expenditures	(12,050)		
Unencumbered cash, beginning of year	<u>445,870</u>		
Unencumbered cash, end of year	<u>\$ 433,820</u>		

CITY OF TONGANOXIE, KANSAS
 SPECIAL PARKS AND RECREATION FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Actual	Budget	Variance - over (under)
Cash receipts:			
Intergovernmental	\$ 4,667	\$ 5,000	\$ (333)
Total cash receipts	<u>4,667</u>	<u>\$ 5,000</u>	<u>\$ (333)</u>
Expenditures:			
Contractual services	2,512	\$ 4,600	\$ (2,088)
Commodities	1,940	400	1,540
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>4,452</u>	<u>\$ 5,000</u>	<u>\$ (548)</u>
Receipts over (under) expenditures	215		
Unencumbered cash, beginning of year	<u>14,827</u>		
Unencumbered cash, end of year	<u>\$ 15,042</u>		

CITY OF TONGANOXIE, KANSAS
SPECIAL HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2016

	Actual	Budget	Variance - over (under)
Cash receipts:			
Intergovernmental	\$ 187,485	\$ 147,100	\$ 40,385
Total cash receipts	<u>187,485</u>	<u>\$ 147,100</u>	<u>\$ 40,385</u>
Expenditures:			
Capital outlay	117,771	124,536	(6,765)
Debt service	<u>55,468</u>	<u>49,564</u>	<u>5,904</u>
Total expenditures	<u>173,239</u>	<u>\$ 174,100</u>	<u>\$ (861)</u>
Receipts over (under) expenditures	14,246		
Unencumbered cash, beginning of year	<u>134,728</u>		
Unencumbered cash, end of year	<u>\$ 148,974</u>		

CITY OF TONGANOXIE, KANSAS
 LIBRARY OPERATIONS FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Current year		
	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes	\$ 276,023	\$ 247,063	\$ 28,960
Reimbursements	44,257	51,604	(7,347)
Total cash receipts	<u>320,280</u>	<u>\$ 298,667</u>	<u>\$ 21,613</u>
Expenditures:			
Contractual services	<u>315,747</u>	<u>417,757</u>	<u>(102,010)</u>
Total expenditures	<u>315,747</u>	<u>\$ 417,757</u>	<u>\$ (102,010)</u>
Receipts over (under) expenditures	4,533		
Unencumbered cash, beginning of year	<u>6,870</u>		
Unencumbered cash, end of year	<u>\$ 11,403</u>		

CITY OF TONGANOXIE, KANSAS
POLICE EQUIPMENT RESERVE FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2016

	Actual
Cash receipts:	
Fines and fees	\$ 11,160
Grants and donations	100
Reimbursements	3,854
Miscellaneous	-
Total cash receipts	<u>15,114</u>
Expenditures:	
Commodities	8
Capital outlay	<u>40,765</u>
Total expenditures	<u>40,773</u>
Receipts over (under) expenditures	(25,659)
Unencumbered cash, beginning of year	<u>41,269</u>
Unencumbered cash, end of year	<u>\$ 15,610</u>

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

CITY OF TONGANOXIE, KANSAS
 FIRE EQUIPMENT RESERVE FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Actual
Cash receipts:	
Special assessments	\$ 101,271
Miscellaneous	<u>100</u>
Total cash receipts	<u>101,371</u>
Expenditures:	
Capital outlay	<u>94,233</u>
Total expenditures	<u>94,233</u>
Receipts over (under) expenditures	7,138
Unencumbered cash, beginning of year	<u>89,312</u>
Unencumbered cash, end of year	<u>\$ 96,450</u>

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

CITY OF TONGANOXIE, KANSAS
 LAW ENFORCEMENT TRUST FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Actual
Cash receipts:	
Miscellaneous	\$ 10
Total cash receipts	<u>10</u>
Expenditures:	
Contractual services	<u>4,245</u>
Total expenditures	<u>4,245</u>
Receipts over (under) expenditures	(4,235)
Unencumbered cash, beginning of year	<u>5,841</u>
Unencumbered cash, end of year	<u>\$ 1,606</u>

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

CITY OF TONGANOXIE, KANSAS
 TRANSIENT GUEST TAX FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2016

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

CITY OF TONGANOXIE, KANSAS
 WATER PARK SALES TAX FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Actual
Cash receipts:	
Sales tax	\$ 381,996
Total cash receipts	<u>381,996</u>
Expenditures:	
Transfer out	<u>376,096</u>
Total expenditures	<u>376,096</u>
Receipts over (under) expenditures	5,900
Unencumbered cash, beginning of year	<u>920</u>
Unencumbered cash, end of year	<u>\$ 6,820</u>

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

CITY OF TONGANOXIE, KANSAS
 INSURANCE PROCEEDS FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Current year actual
Cash receipts:	
Fire insurance proceeds	\$ -
Total cash receipts	-
Expenditures:	
Reimbursed expenses	-
Total expenditures	-
Receipts over (under) expenditures	-
Unencumbered cash, beginning of year	24,434
Unencumbered cash, end of year	\$ 24,434

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

CITY OF TONGANOXIE, KANSAS
 DEBT PROCEEDS FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Current year actual
Cash receipts:	
Debt proceeds	<u>\$ 1,090,109</u>
Total cash receipts	<u>1,090,109</u>
Expenditures:	
Reimbursed expenses	-
Capital outlay	<u>1,090,109</u>
Total expenditures	<u>1,090,109</u>
Receipts over (under) expenditures	-
Unencumbered cash, beginning of year	<u>-</u>
Unencumbered cash, end of year	<u>\$ -</u>

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

CITY OF TONGANOXIE, KANSAS
 GALLAGHER PARK FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Actual
Cash receipts:	
Donations	\$ 2,100
Total cash receipts	<u>2,100</u>
Expenditures:	
Contractual services	-
Capital outlay	<u>6,303</u>
Total expenditures	<u>6,303</u>
Receipts over (under) expenditures	(4,203)
Unencumbered cash, beginning of year	<u>19,160</u>
Unencumbered cash, end of year	<u>\$ 14,957</u>

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

CITY OF TONGANOXIE, KANSAS
 FESTIVAL/EVENT FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Actual
Cash receipts:	
Donations and fees	\$ 78,620
Total cash receipts	<u>78,620</u>
Expenditures:	
Contractual services	26,008
Commodities	<u>42,339</u>
Total expenditures	<u>68,347</u>
Receipts over (under) expenditures	10,273
Unencumbered cash, beginning of year	<u>-</u>
Unencumbered cash, end of year	<u>\$ 10,273</u>

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

CITY OF TONGANOXIE, KANSAS
 BOND AND INTEREST FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Actual	Budget	Variance - over (under)
Cash receipts:			
Taxes	\$ 381,813	\$ 383,053	\$ (1,240)
Transfers in	376,096	345,000	31,096
Total cash receipts	<u>757,909</u>	<u>\$ 728,053</u>	<u>\$ 29,856</u>
Expenditures:			
Debt service	<u>737,348</u>	<u>946,316</u>	<u>(208,968)</u>
Total expenditures	<u>737,348</u>	<u>\$ 946,316</u>	<u>\$ (208,968)</u>
Receipts over (under) expenditures	20,561		
Unencumbered cash, beginning of year	<u>229,360</u>		
Unencumbered cash, end of year	<u>\$ 249,921</u>		

CITY OF TONGANOXIE, KANSAS
 CAPITAL PROJECTS FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Actual	Budget	Variance - over (under)
Cash receipts:			
Intergovernmental	\$ 448,878	\$ 445,000	\$ 3,878
Other revenues	<u> -</u>	<u> -</u>	<u> -</u>
Total cash receipts	<u>448,878</u>	<u>\$ 445,000</u>	<u>\$ 3,878</u>
Expenditures:			
Commodities	<u> -</u>	\$ <u> -</u>	\$ <u> -</u>
Capital outlay	60,000	50,516	9,484
Debt service	<u>422,950</u>	<u>459,484</u>	<u>(36,534)</u>
Total expenditures	<u>482,950</u>	<u>\$ 510,000</u>	<u>\$ (27,050)</u>
Receipts over (under) expenditures	(34,072)		
Unencumbered cash, beginning of year	<u>211,306</u>		
Unencumbered cash, end of year	<u>\$ 177,234</u>		

CITY OF TONGANOXIE, KANSAS
 CAPITAL RESERVE FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2016

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

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

CITY OF TONGANOXIE, KANSAS
WATER OPERATIONS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2016

	Actual	Budget	Variance - over (under)
Cash receipts:			
Charges for services	\$ 1,170,205	\$ 1,134,499	\$ 35,706
Use of money and property	7	-	7
Total cash receipts	<u>1,170,212</u>	<u>\$ 1,134,499</u>	<u>\$ 35,713</u>
Expenditures:			
Production and distribution	681,423	682,214	(791)
Debt service	336,124	336,124	-
Transfers out	116,160	116,161	(1)
Total expenditures	<u>1,133,707</u>	<u>\$ 1,134,499</u>	<u>\$ (792)</u>
Receipts over (under) expenditures	36,505		
Unencumbered cash, beginning of year	<u>325,520</u>		
Unencumbered cash, end of year	<u>\$ 362,025</u>		

CITY OF TONGANOXIE, KANSAS
 WATER CAPITAL IMPROVEMENT FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Actual
Cash receipts:	
Charges for services	\$ 39,425
Use of money and property	8,940
Total cash receipts	<u>48,365</u>
Expenditures:	
Capital outlay	<u>22,337</u>
Total expenditures	<u>22,337</u>
Receipts over (under) expenditures	26,028
Unencumbered cash, beginning of year	<u>247,297</u>
Unencumbered cash, end of year	<u>\$ 273,325</u>

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

CITY OF TONGANOXIE, KANSAS
SEWER OPERATIONS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2016

	Actual	Budget	Variance - over (under)
Cash receipts:			
Charges for services	\$ 801,609	\$ 751,550	\$ 50,059
Total cash receipts	<u>801,609</u>	<u>\$ 751,550</u>	<u>\$ 50,059</u>
Expenditures:			
Plant operating costs	353,207	\$ 355,733	\$ (2,526)
Capital outlay	2,370	1,000	1,370
Debt service	282,066	282,067	(1)
Transfers out	106,460	106,459	1
Total expenditures	<u>744,103</u>	<u>\$ 745,259</u>	<u>\$ (1,156)</u>
Receipts over (under) expenditures	57,506		
Unencumbered cash, beginning of year	<u>215,726</u>		
Unencumbered cash, end of year	<u>\$ 273,232</u>		

CITY OF TONGANOXIE, KANSAS
SEWER CAPITAL IMPROVEMENT FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Year Ended December 31, 2016

	Actual
Cash receipts:	
Charges for services	\$ 46,750
Total cash receipts	<u>46,750</u>
Expenditures:	
Capital outlay	<u>5,147</u>
Total expenditures	<u>5,147</u>
Receipts over (under) expenditures	41,603
Unencumbered cash, beginning of year	<u>266,429</u>
Unencumbered cash, end of year	<u>\$ 308,032</u>

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

CITY OF TONGANOXIE, KANSAS
 SANITATION FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2016

	Actual	Budget	Variance - over (under)
Cash receipts:			
Charges for services	\$ 339,484	\$ 325,000	\$ 14,484
Total cash receipts	<u>339,484</u>	<u>\$ 325,000</u>	<u>\$ 14,484</u>
Expenditures:			
Personnel services	32,525	51,300	(18,775)
Contractual services	292,458	272,700	19,758
Commodities	-	176,000	(176,000)
Total expenditures	<u>324,983</u>	<u>\$ 500,000</u>	<u>\$ (175,017)</u>
Receipts over (under) expenditures	14,501		
Unencumbered cash, beginning of year	<u>106,359</u>		
Unencumbered cash, end of year	<u>\$ 120,860</u>		

CITY OF TONGANOXIE, KANSAS
 AGENCY FUNDS
 Summary of Receipts and Disbursements
 Regulatory Basis
 For the year ended December 31, 2016

	Beginning cash balance	Receipts	Disbursements	Ending cash balance
Payroll clearing	\$ 17,920	\$ 1,752,856	\$ 1,746,436	\$ 24,340
Bail bonds	8,226	5,405	2,760	10,871
Revolving loan	40,638	3,664	—	44,302
Total agency funds	<u>\$ 66,784</u>	<u>\$ 1,761,925</u>	<u>\$ 1,749,196</u>	<u>\$ 79,513</u>