

CITY OF OSAGE CITY, KANSAS

**Financial Statements for the
Year Ended December 31, 2003
And Independent Auditors' Report**

CITY OF OSAGE CITY, KANSAS

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Osage City, Kansas

We have audited the accompanying financial statements of the City of Osage City, Kansas (City) as of December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards, Kansas Municipal Audit Guide and Governmental Auditing Standards of the United States of America. 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 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.

As described more fully in Note 1, the City prepares its financial statements on a basis of accounting prescribed by the Kansas Division of Accounts and Reports to demonstrate compliance with the cash basis laws of the State of Kansas, which basis differs from generally accepted accounting principles.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the City of Osage City, Kansas, as of December 31, 2003, or the results of its operations for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Osage City, Kansas, as of December 31, 2003, and its cash receipts and cash disbursements for the year then ended on the basis of accounting described in Note 1.

The supplemental schedules for the year ended December 31, 2003, listed in the foregoing table of contents are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. Such information except for pages 53-55 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for pages 53-55 are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards in the United States of America, we have also issued our report dated October 9, 2003 on our consideration of Rural Water District No. 6 of Franklin County, Kansas, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of Rural Water District No. 6 of Franklin County, Kansas, taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organization, and is not a required part of the financial statements. Because it was not practicable to extend our auditing procedures for items noted in the above paragraphs, and the scope of our work was not sufficient to enable us to express and we do not express an opinion on these financial statements taken as a whole.

May 12, 2004

Michael D. Peroo, CPA
In Charge of and Actively Engaged on this Audit

CITY OF OSAGE CITY, KANSAS

**SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED DECEMBER 31, 2003**

	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
General Fund	\$ 122,119	\$ 1,140,644	\$ 1,121,348	\$ 141,415
Special Revenue Funds:				
Airport Fund	14,598	132,388	112,759	34,227
Library Fund	2,000	65,809	67,807	2
Industrial Development Fund	17,501	10,000	948	26,553
Court Bond Fund	276	2,750	50	2,976
Employee Benefits Fund	25,248	161,369	177,835	8,782
Special Safety Equipment Reserve Fund	30,455	23,464	28,340	25,579
Alcohol Safety Fund	274	425		699
Special Parks and Recreation Fund	1,698	101,733	88,640	14,791
Special Enforcement Fund	1,156			1,156
Special Highway Fund	175,035	84,089	112,673	146,451
Special City Sales Tax Fund		21,900	21,900	
Fire Insurance Proceeds Fund		3,000	3,000	
Cemetery Fund	12,906	144		13,050
Enterprise Funds:				
Electric Fund	819,094	2,364,156	2,292,288	890,962
Water Fund	222,949	709,612	578,651	353,910
Natural Gas Fund	595,465	1,140,454	1,194,784	541,135
Sewage Disposal Fund	20,043	134,108	131,059	23,092
Sanitation Fund	125,754	251,494	218,777	158,471
Utility Deposit Fund	53,102	31,671	25,864	58,909
Capital Project Funds:				
Capital Improvement Fund	12,883	285,188	201,078	96,993
Pool Improvement Fund		1,610,988	114,702	1,496,286
Equipment Reserve Fund	50,377	26,330	55,472	21,235
Golf Course Improvement Fund		19,175	19,175	
Sanitation Reserve Fund	30,000	5,002	35,002	
CDBG Heartland - 89 Fund	2,123	6,370	6,370	2,123
CDBG Heartland - 91 Fund	2,565	28,215	30,780	
Water Upgrade Project Fund	126,194	1,316,907	1,413,712	29,389
Debt Service Funds:				
Bond and Interest Fund	30,097	378,132	364,348	43,881
Electric Upgrade Bond and Interest Fund	11,204	267,882	263,553	15,533
Electric Upgrade Bond Reserve Fund	312,000			312,000
Total Reporting Entity	<u>\$ 2,817,116</u>	<u>\$ 10,323,399</u>	<u>\$ 8,680,915</u>	<u>\$ 4,459,600</u>
Less transfers		<u>1,311,855</u>	<u>1,311,855</u>	
Net Receipts and Disbursements		<u>9,011,544</u>	<u>7,369,060</u>	
COMPOSITION OF CASH:				
Petty Cash				\$ 490
Security National Bank - Checking Account				25,870
Security National Bank - Savings Account				232,204
Security National Bank - Drug Enforcement Account				1,159
Security National Bank - Savings Account				3,420,157
First State Bank of Burlingame - Certificate of Deposit				429,720
First State Bank of Burlingame - Certificate of Deposit				250,000
Bank of Osage City - Certificate of Deposit				<u>100,000</u>
				<u>\$ 4,459,600</u>

See notes to financial statements.

CITY OF OSAGE CITY, KANSAS

**SUMMARY OF DISBURSEMENTS - ACTUAL AND BUDGET
YEAR ENDED DECEMBER 31, 2003**

	<u>Total Disbursements</u>	<u>Total Budget</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund	\$ 1,121,348	\$ 1,181,459	\$ 60,111
Special Revenue Funds:			
Airport Fund	112,759	169,013	56,254
Library Fund	67,807	68,174	367
Industrial Development Fund	948	11,590	10,642
Court Bond Fund	50	1,000	950
Employee Benefits Fund	177,835	172,681	(5,154)
Special Safety Equipment Fund	28,340	34,600	6,260
Alcohol Safety Fund		1,000	1,000
Special Parks and Recreation Fund	88,640	96,078	7,438
Special Enforcement Fund		823	823
Special Highway Fund	112,673	135,215	22,542
Enterprise Funds:			
Electric Fund	2,292,288	2,530,874	238,586
Water Fund	578,651	618,058	39,407
Natural Gas Fund	1,194,784	1,393,102	198,318
Sewage Disposal Fund	131,059	134,477	3,418
Sanitation Fund	218,777	234,811	16,034
Capital Project Funds:			
Capital Improvement Fund	201,078	238,085	37,007
Equipment Reserve Fund	55,472	30,000	(25,472)
Utility Deposit Fund	25,864	53,744	27,880
Golf Course Improvement	19,175	18,775	(400)
CDBG Heartland - 89 Fund	6,370	8,493	2,123
CDBG Heartland - 91 Fund	30,780	30,780	
Debt Service Funds:			
Bond and Interest Fund	364,348	369,328	4,980
Electric Upgrade Bond and Interest Fund	263,553	263,553	
Total Budgeted Funds	<u>7,092,599</u>	<u>\$ 7,795,713</u>	<u>\$ 703,114</u>
Non budgeted Funds:			
Cemetery Fund			
Fire Insurance Proceeds Fund	3,000		
Special City Sales Tax Fund	21,900		
Pool Improvement Fund	114,702		
Sanitation Reserve Fund	35,002		
Water Upgrade Project Fund	1,413,712		
Total Non budgeted Funds	<u>1,588,316</u>		
	<u>\$ 8,680,915</u>		

CITY OF OSAGE CITY, KANSAS

**GENERAL FUND
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Ad Valorem Tax	\$ 255,984	\$ 226,938	\$ 221,746	\$ 5,192
Motor Vehicle Tax	38,289	45,861	44,868	993
LAVTR	22,464		20,450	(20,450)
City County Revenue Sharing	15,362		30,724	(30,724)
Sales Tax	131,152	131,486	133,000	(1,514)
Other Taxes	3,239	2,952	3,519	(567)
Franchise Fees	24,489	25,661	21,000	4,661
Connecting Link	7,854	7,854	8,000	(146)
License Permits and Fees	22,806	20,628	10,450	10,178
Fees From Fines	16,568	18,550	17,700	850
Refunds, Reimbursements, & Rentals	11,135	17,635	12,700	4,935
Operating Transfers In	362,631	258,740	152,661	106,079
Administrative Fees	124,779	344,167	451,313	(107,146)
Miscellaneous	9,031	7,825	7,300	525
Interest On Idle Funds	39,491	32,347	20,910	11,437
	<u>1,085,274</u>	<u>1,140,644</u>	<u>\$ 1,156,341</u>	<u>\$ (15,697)</u>
CASH DISBURSEMENTS:				
General Administration	479,467	451,653	\$ 387,169	\$ (64,484)
Police Department	236,077	235,340	230,224	(5,116)
Street Department	201,886	225,141	281,421	56,280
Utility Administration		42,278	102,252	59,974
Economic Development Department		4,064	10,800	6,736
Tree Board Department		6,023	6,000	(23)
Community Improvement Department		34,119	38,453	4,334
Property Department	96,971	122,730	125,140	2,410
	<u>1,014,401</u>	<u>1,121,348</u>	<u>\$ 1,181,459</u>	<u>\$ 60,111</u>
Receipts Over (Under) Disbursements	70,873	19,296		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>51,246</u>	<u>122,119</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 122,119</u>	<u>\$ 141,415</u>		

CITY OF OSAGE CITY, KANSAS

AIRPORT FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Motor Vehicle Tax	\$ 2,404	\$ 43	\$ 50	\$ (7)
Ad Valorem Tax	227	15,077	15,459	(382)
Grants		106,959	147,092	(40,133)
Leases	<u>9,695</u>	<u>10,309</u>	<u>10,000</u>	<u>309</u>
Total Cash Receipts	12,326	132,388	\$ <u><u>172,601</u></u>	\$ <u><u>(40,213)</u></u>
CASH DISBURSEMENTS:				
Contractual Services	8,720	28,583	\$ 28,497	\$ (86)
Commodity Expense	1,009	240	1,180	940
Other	1,285	4		(4)
Capital Outlay		<u>83,932</u>	<u>139,336</u>	<u>55,404</u>
Total Cash Disbursements	<u>11,014</u>	<u>112,759</u>	\$ <u><u>169,013</u></u>	\$ <u><u>56,254</u></u>
Receipts Over Disbursements	1,312	19,629		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>13,286</u>	<u>14,598</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>14,598</u></u>	\$ <u><u>34,227</u></u>		

CITY OF OSAGE CITY, KANSAS

LIBRARY FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Ad Valorem Tax	\$ 41,127	\$ 55,959	\$ 60,911	\$ (4,952)
Operating Transfers In		2,500		2,500
Motor Vehicle Tax	<u>7,211</u>	<u>7,350</u>	<u>7,174</u>	<u>176</u>
Total Cash Receipts	48,338	65,809	\$ <u><u>68,085</u></u>	\$ <u><u>(2,276)</u></u>
CASH DISBURSEMENTS:				
Library Board Allocation	<u>47,420</u>	<u>67,807</u>	\$ <u>68,174</u>	\$ <u>367</u>
Total Cash Disbursements	<u>47,420</u>	<u>67,807</u>	\$ <u><u>68,174</u></u>	\$ <u><u>367</u></u>
Receipts Over (Under) Disbursements	918	(1,998)		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>1,082</u>	<u>2,000</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>2,000</u></u>	\$ <u><u>2</u></u>		

CITY OF OSAGE CITY, KANSAS

INDUSTRIAL DEVELOPMENT FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Ad Valorem Tax	\$	\$	\$	\$
Operating Transfers In		7,000	7,000	
Donations and Reimbursements	<u>2,000</u>	<u>3,000</u>	<u></u>	<u>3,000</u>
Total Cash Receipts	2,000	10,000	\$ <u><u>7,000</u></u>	\$ <u><u>3,000</u></u>
CASH DISBURSEMENTS:				
Contractual Services		948	\$ 5,000	\$ 4,052
Commodity Expense				
Capital Outlay				
Other Expenses	<u>2,589</u>	<u></u>	<u>6,590</u>	<u>6,590</u>
Total Cash Disbursements	<u>2,589</u>	<u>948</u>	\$ <u><u>11,590</u></u>	\$ <u><u>10,642</u></u>
Receipts Over (Under) Disbursements	(589)	9,052		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>18,090</u>	<u>17,501</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>17,501</u></u>	\$ <u><u>26,553</u></u>		

CITY OF OSAGE CITY, KANSAS

COURT BOND FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Cash Bond	\$ 2,400	\$ 2,750	\$ 1,000	\$ 1,750
Total Cash Receipts	2,400	2,750	<u>\$ 1,000</u>	<u>\$ 1,750</u>
CASH DISBURSEMENTS:				
Bond Refund	2,625	50	\$ 1,000	\$ 950
Total Cash Disbursements	<u>2,625</u>	<u>50</u>	<u>\$ 1,000</u>	<u>\$ 950</u>
Receipts Over (Under) Disbursements	(225)	2,700		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>501</u>	<u>276</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 276</u>	<u>\$ 2,976</u>		

CITY OF OSAGE CITY, KANSAS

EMPLOYEE BENEFIT FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Motor Vehicle Tax	\$ 19,379	\$ 19,745	\$ 19,278	\$ 467
Ad Valorem Tax	110,412	139,387	142,950	(3,563)
Reimbursements	<u>3,949</u>	<u>2,237</u>	<u>2,231</u>	<u>6</u>
Total Cash Receipts	133,740	161,369	\$ <u><u>164,459</u></u>	\$ <u><u>(3,090)</u></u>
CASH DISBURSEMENTS:				
Personnel Services	129,623	173,273	\$ 168,681	\$ (4,592)
Commodities and Other	<u>1,717</u>	<u>4,562</u>	<u>4,000</u>	<u>(562)</u>
Total Cash Disbursements	<u>131,340</u>	<u>177,835</u>	\$ <u><u>172,681</u></u>	\$ <u><u>(5,154)</u></u>
Receipts Over (Under) Disbursements	2,400	(16,466)		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>22,848</u>	<u>25,248</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>25,248</u></u>	\$ <u><u>8,782</u></u>		

CITY OF OSAGE CITY, KANSAS

SPECIAL SAFETY EQUIPMENT RESERVE FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Ad Valorem Tax	\$ 227	\$ 13,312	\$ 13,186	\$ 126
Reimbursed Expenses	310	10,109	9,609	500
Motor Vehicle Tax	<u>2,404</u>	<u>43</u>	<u>43</u>	
Total Cash Receipts	2,941	23,464	\$ <u><u>22,838</u></u>	\$ <u><u>626</u></u>
CASH DISBURSEMENTS:				
Contractual Services		117	\$	\$ (117)
Capital Outlay	<u>19,162</u>	<u>28,223</u>	<u>34,600</u>	<u>6,377</u>
Total Cash Disbursements	<u>19,162</u>	<u>28,340</u>	\$ <u><u>34,600</u></u>	\$ <u><u>6,260</u></u>
Receipts Under Disbursements	(16,221)	(4,876)		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>46,676</u>	<u>30,455</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>30,455</u></u>	\$ <u><u>25,579</u></u>		

CITY OF OSAGE CITY, KANSAS

ALCOHOL SAFETY FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Court DUI Assessment	\$ 575	\$ 425	\$ 1,000	\$ (575)
Total Cash Receipts	575	425	<u>1,000</u>	<u>(575)</u>
CASH DISBURSEMENTS				
DUI Assessment	2,388		\$ 1,000	\$ 1,000
Total Cash Disbursements	2,388		<u>1,000</u>	<u>1,000</u>
Receipts Over (Under) Disbursements	(1,813)	425		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>2,087</u>	<u>274</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 274</u>	<u>\$ 699</u>		

CITY OF OSAGE CITY, KANSAS

SPECIAL PARKS AND RECREATION FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>	<u>2003</u> <u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
CASH RECEIPTS:				
User Fees	\$	\$ 19,516	16,200	3,316
Operating Transfers In		10,000	10,000	
Donations and Other		69,265	68,210	1,055
Local Alcoholic Liquor Tax	3,239	2,952	\$ 3,518	\$ (566)
Total Cash Receipts	<u>3,239</u>	<u>101,733</u>	<u>\$ 97,928</u>	<u>\$ 3,805</u>
CASH DISBURSEMENTS:				
Personnel Costs		38,314	40,028	1,714
Commodities		26,803	38,000	11,197
Other		480	150	(330)
Contractual Services	694	20,292	\$ 14,400	\$ (5,892)
Capital Outlay	2,687	2,751	3,500	749
Total Cash Disbursements	<u>3,381</u>	<u>88,640</u>	<u>\$ 96,078</u>	<u>\$ 7,438</u>
Receipts Over (Under) Disbursements	(142)	13,093		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>1,840</u>	<u>1,698</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 1,698</u>	<u>\$ 14,791</u>		

CITY OF OSAGE CITY, KANSAS

SPECIAL ENFORCEMENT FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Interest On Idle Funds and Other	\$ 333	\$ _____	\$ _____	\$ _____
Total Cash Receipts	333		\$ _____	\$ _____
CASH DISBURSEMENTS:				
Contingency			\$ 823	\$ 823
Total Cash Disbursements			\$ 823	\$ 823
Receipts Over Disbursements	333			
UNENCUMBERED CASH, BEGINNING BALANCE	<u>823</u>	<u>1,156</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 1,156</u>	<u>\$ 1,156</u>		

CITY OF OSAGE CITY, KANSAS

SPECIAL HIGHWAY FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>	<u>2003</u> <u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
CASH RECEIPTS:				
State Payment	\$ 90,867	\$ 84,089	\$ 90,000	\$ (5,911)
Transfer	5,708			
Reimbursed Expense	74,441			
Total Cash Receipts	<u>171,016</u>	<u>84,089</u>	<u>\$ 90,000</u>	<u>\$ (5,911)</u>
CASH DISBURSEMENTS:				
Contractual Services	1,372	1,870	\$	\$ (1,870)
Commodity Expense	20,547	6,803	15,000	8,197
Transfer	69,795	70,215	70,215	
Capital Outlay	24,035	33,785	50,000	16,215
Total Cash Disbursements	<u>115,749</u>	<u>112,673</u>	<u>\$ 135,215</u>	<u>\$ 22,542</u>
Receipts Over (Under) Disbursements	55,267	(28,584)		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>119,768</u>	<u>175,035</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 175,035</u>	<u>\$ 146,451</u>		

CITY OF OSAGE CITY, KANSAS

**SPECIAL SALES TAX FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
YEAR ENDED DECEMBER 31, 2003**

	<u>2003 Actual</u>
CASH RECEIPTS:	
Local Sales Tax	\$ <u>21,900</u>
Total Cash Receipts	21,900
CASH DISBURSEMENTS:	
Operating transfers	<u>21,900</u>
Total Cash Disbursements	<u>21,900</u>
Receipts Over Disbursements	
UNENCUMBERED CASH, BEGINNING BALANCE	<u> </u>
UNENCUMBERED CASH, ENDING BALANCE	<u><u>\$ </u></u>

CITY OF OSAGE CITY, KANSAS

**FIRE INSURANCE PROCEEDS FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
YEAR ENDED DECEMBER 31, 2003**

	<u>2003 Actual</u>
CASH RECEIPTS:	
Bond Proceeds	\$ <u>3,000</u>
Total Cash Receipts	3,000
CASH DISBURSEMENTS:	
Other	<u>3,000</u>
Total Cash Disbursements	<u>3,000</u>
Receipts Over Disbursements	
UNENCUMBERED CASH, BEGINNING BALANCE	<u> </u>
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u> </u></u>

CITY OF OSAGE CITY, KANSAS

CEMETERY TRUST FUND

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
YEAR ENDED DECEMBER 31, 2003**

	<u>2002</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>
CASH RECEIPTS:		
Other	\$	\$
Interest On Idle Funds	<u>225</u>	<u>144</u>
Total Cash Receipts	225	144
CASH DISBURSEMENTS:		
Capital Outlay	<u> </u>	<u> </u>
Total Cash Disbursements	<u> </u>	<u> </u>
Receipts Over Disbursements	225	144
UNENCUMBERED CASH, BEGINNING BALANCE	<u>12,681</u>	<u>12,906</u>
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 12,906</u>	<u>\$ 13,050</u>

CITY OF OSAGE CITY, KANSAS

**ELECTRIC FUND
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Sales and Charges	\$ 2,375,653	\$ 2,345,852	\$ 2,285,500	\$ 60,352
Pole Rental	5,012	5,051	5,000	51
Reimbursed Expenses	112,400	13,253	11,664	1,589
Operating Transfers In	<u>117,695</u>			
Total Cash Receipts	2,610,760	2,364,156	<u>\$ 2,302,164</u>	<u>\$ 61,992</u>
CASH DISBURSEMENTS:				
Administration	758,608	824,084	\$ 805,950	\$ (18,134)
Production	1,097,591	1,187,557	1,440,769	253,212
Distribution	<u>267,005</u>	<u>280,647</u>	<u>284,155</u>	<u>3,508</u>
Total Cash Disbursements	<u>2,123,204</u>	<u>2,292,288</u>	<u>\$ 2,530,874</u>	<u>\$ 238,586</u>
Receipts Over Disbursements	487,556	71,868		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>331,538</u>	<u>819,094</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 819,094</u>	<u>\$ 890,962</u>		

CITY OF OSAGE CITY, KANSAS

WATER FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Water Sales and Other Charges	\$ 617,772	\$ 698,973	\$ 690,800	\$ 8,173
Reimbursed Expenses	24,240	10,639	6,126	4,513
Transfer	<u>3,298</u>			
Total Cash Receipts	645,310	709,612	\$ <u><u>696,926</u></u>	\$ <u><u>12,686</u></u>
CASH DISBURSEMENTS:				
Administration	328,077	305,885	\$ 332,549	\$ 26,664
Production	154,822	173,256	172,975	(281)
Distribution	<u>92,998</u>	<u>99,510</u>	<u>112,534</u>	<u>13,024</u>
Total Cash Disbursements	<u>575,897</u>	<u>578,651</u>	\$ <u><u>618,058</u></u>	\$ <u><u>39,407</u></u>
Receipts Over Disbursements	69,413	130,961		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>153,536</u>	<u>222,949</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>222,949</u></u>	\$ <u><u>353,910</u></u>		

CITY OF OSAGE CITY, KANSAS

NATURAL GAS FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Services and Charges	\$ 1,308,468	\$ 1,127,208	\$ 1,428,284	\$ (301,076)
Reimbursed Expenses	59,418	13,246		13,246
Operating Transfer In	597			
Miscellaneous Income			13,940	(13,940)
Total Cash Receipts	1,368,483	1,140,454	\$ <u>1,442,224</u>	\$ <u>(301,770)</u>
CASH DISBURSEMENTS:				
Administration	701,924	1,059,932	\$ 1,255,132	\$ 195,200
Distribution	95,923	134,852	137,970	3,118
Total Cash Disbursements	797,847	1,194,784	\$ <u>1,393,102</u>	\$ <u>198,318</u>
Receipts Over (Under) Disbursements	570,636	(54,330)		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>24,829</u>	<u>595,465</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u>595,465</u>	\$ <u>541,135</u>		

CITY OF OSAGE CITY, KANSAS

SEWAGE DISPOSAL FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Sewer Charges	\$ 131,198	\$ 133,140	\$ 131,300	\$ 1,840
Reimbursed Expenses	510	968	2,767	(1,799)
Miscellaneous Income	934		4,000	(4,000)
Total Cash Receipts	132,642	134,108	\$ <u>138,067</u>	\$ <u>(3,959)</u>
CASH DISBURSEMENTS:				
Personnel Services	60,141	48,467	\$ 45,292	\$ (3,175)
Contractual Services	30,106	18,690	15,100	(3,590)
Commodity Expenses	10,254	15,426	6,800	(8,626)
Capital Outlay	570	696	1,200	504
Operating Transfers Out	39,712	47,780	66,085	18,305
Other	5,000			
Total Cash Disbursements	145,783	131,059	\$ <u>134,477</u>	\$ <u>3,418</u>
Receipts Over (Under) Disbursements	(13,141)	3,049		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>33,184</u>	<u>20,043</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u>20,043</u>	\$ <u>23,092</u>		

CITY OF OSAGE CITY, KANSAS

SANITATION FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Collection Fees	\$ 247,927	\$ 248,175	\$ 237,887	\$ 10,288
Miscellaneous Income	1,840	316	1,000	(684)
Operating Transfer In		3,002		3,002
Reimbursed Expenses	<u>368</u>			
Total Cash Receipts	250,135	251,494	<u>\$ 238,887</u>	<u>\$ 12,607</u>
CASH DISBURSEMENTS:				
Personnel Expenses	80,564	83,691	\$ 84,578	\$ 887
Contractual Services	91,926	83,681	86,203	2,522
Commodity Expense	8,656	10,949	13,061	2,112
Operating Transfer Out	63,363	21,654	44,969	23,315
Administrative Charges		18,317		(18,317)
Capital Outlay	<u>4,721</u>	<u>485</u>	<u>6,000</u>	<u>5,515</u>
Total Cash Disbursements	<u>249,230</u>	<u>218,777</u>	<u>\$ 234,811</u>	<u>\$ 16,034</u>
Receipts Over Disbursements	905	32,717		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>124,849</u>	<u>125,754</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 125,754</u>	<u>\$ 158,471</u>		

CITY OF OSAGE CITY, KANSAS

UTILITY DEPOSIT FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Utility Deposits	\$ 31,297	\$ 31,671	\$ 50,000	\$ (18,329)
Total Cash Receipts	31,297	31,671	<u>50,000</u>	<u>(18,329)</u>
CASH DISBURSEMENTS:				
Refunds	28,982	25,864	\$ 53,744	\$ 27,880
Total Cash Disbursements	28,982	25,864	<u>53,744</u>	<u>27,880</u>
Receipts Over Disbursements	2,315	5,807		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>50,787</u>	<u>53,102</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 53,102</u>	<u>\$ 58,909</u>		

CITY OF OSAGE CITY, KANSAS

CAPITAL IMPROVEMENT FUND

**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Operating Transfers In	\$ 218,945	\$ 202,480	\$ 217,600	\$ (15,120)
Reimbursed Expenses	36,256	3,826		3,826
Grant Proceeds		69,584		69,584
Special Assesement Revenue	<u>9,043</u>	<u>9,298</u>		<u>9,298</u>
Total Cash Receipts	264,244	285,188	<u>\$ 217,600</u>	<u>\$ 67,588</u>
CASH DISBURSEMENTS:				
Temporary Note Payment				
Contractual Services	167,131			
Capital Outlay	<u>119,983</u>	<u>201,078</u>	<u>\$ 238,085</u>	<u>\$ 37,007</u>
Total Cash Disbursements	<u>287,114</u>	<u>201,078</u>	<u>\$ 238,085</u>	<u>\$ 37,007</u>
Receipts Over (Under) Disbursements	(22,870)	84,110		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>35,753</u>	<u>12,883</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 12,883</u>	<u>\$ 96,993</u>		

CITY OF OSAGE CITY, KANSAS

POOL CAPITAL IMPROVEMENT FUND

**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	2003 Actual
	<hr/>
CASH RECEIPTS:	
Bond Issue Proceeds	\$ 1,601,308
Interest on Idle Funds	7,680
Operating Transfers In	<hr/> 2,000
Total Cash Receipts	1,610,988
 CASH DISBURSEMENTS:	
Capital Outlay	89,100
Other	<hr/> 25,602
Total Cash Disbursements	<hr/> 114,702
 Receipts Over Disbursements	1,496,286
 UNENCUMBERED CASH, BEGINNING BALANCE	<hr/>
 UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>1,496,286</u></u>

CITY OF OSAGE CITY, KANSAS

EQUIPMENT RESERVE FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Operating Transfers In	\$	\$ 18,000	\$ 13,000	\$ 5,000
Other		<u>8,330</u>		<u>8,330</u>
Total Cash Receipts		26,330	<u>\$ 13,000</u>	<u>\$ 13,330</u>
CASH DISBURSEMENTS:				
Capital Outlay	<u>12,580</u>	<u>55,472</u>	<u>\$ 30,000</u>	<u>\$ (25,472)</u>
Total Cash Disbursements	<u>12,580</u>	<u>55,472</u>	<u>\$ 30,000</u>	<u>\$ (25,472)</u>
Receipts Under Disbursements	(12,580)	(29,142)		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>62,957</u>	<u>50,377</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 50,377</u>	<u>\$ 21,235</u>		

CITY OF OSAGE CITY, KANSAS

GOLF COURSE IMPROVEMENT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Reimbursement	\$ 25,472	\$ 19,175	\$ 18,775	\$ 400
Total Cash Receipts	25,472	19,175	\$ 18,775	\$ 400
CASH DISBURSEMENTS:				
Other	25,472	19,175	\$ 18,775	\$ (400)
Total Cash Disbursements	25,472	19,175	\$ 18,775	\$ (400)
 UNENCUMBERED CASH, BEGINNING BALANCE				
	_____	_____		
 UNENCUMBERED CASH, ENDING BALANCE				
	\$ _____	\$ _____		

CITY OF OSAGE CITY, KANSAS

SANITATION RESERVE FUND

**STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2002</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>
CASH RECEIPTS:		
Transfer From Sewage Disposal	\$ 20,000	\$ 5,002
Interest On Idle Funds		
	<hr/>	<hr/>
Total Cash Receipts	20,000	5,002
 CASH DISBURSEMENTS:		
Capital Outlays		32,000
Operating Transfers Out		3,002
	<hr/>	<hr/>
Total Cash Disbursements		35,002
	<hr/>	<hr/>
Receipts Over (Under) Disbursements	20,000	(30,000)
 UNENCUMBERED CASH, BEGINNING BALANCE	 <hr/> 10,000	 <hr/> 30,000
 UNENCUMBERED CASH, ENDING BALANCE	 \$ <u><u>30,000</u></u>	 \$ <u><u> </u></u>

CITY OF OSAGE CITY, KANSAS

CDBG HEARTLAND - 89 FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Heartland Homes	\$ 25,478	\$ 6,370	\$ 6,370	\$
Total Cash Receipts	25,478	6,370	\$ 6,370	\$
CASH DISBURSEMENTS:				
Other	25,478	6,370	\$ 8,493	\$ 2,123
Total Cash Disbursements	25,478	6,370	\$ 8,493	\$ 2,123
Receipts Over Disbursements				
UNENCUMBERED CASH, BEGINNING BALANCE	<u>2,123</u>	<u>2,123</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u>2,123</u>	\$ <u>2,123</u>		

CITY OF OSAGE CITY, KANSAS

CDBG HEARTLAND - 91 FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Reimbursement	\$ 30,780	\$ 28,215	\$ 30,780	\$ (2,565)
Total Cash Receipts	30,780	28,215	\$ 30,780	\$ (2,565)
CASH DISBURSEMENTS:				
Other	30,780	30,780	\$ 30,780	\$ _____
Total Cash Disbursements	30,780	30,780	\$ 30,780	\$ _____
Receipts Over (Under) Disbursements		(2,565)		
UNENCUMBERED CASH, BEGINNING BALANCE	2,565	2,565		
UNENCUMBERED CASH, ENDING BALANCE	\$ 2,565	\$ _____		

CITY OF OSAGE CITY, KANSAS

**WATER UPGRADE PROJECT FUND
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2002 Actual</u>	<u>2003 Actual</u>
CASH RECEIPTS:		
Grant Proceeds	\$ 126,194	\$ 271,750
Loan Proceeds		1,045,157
	<u>126,194</u>	<u>1,316,907</u>
Total Cash Receipts	126,194	1,316,907
CASH DISBURSEMENTS:		
Capital Outlay		1,413,712
		<u>1,413,712</u>
Total Cash Disbursements		<u>1,413,712</u>
Receipts Over (Under) Disbursements	126,194	(96,805)
UNENCUMBERED CASH, BEGINNING BALANCE		<u>126,194</u>
UNENCUMBERED CASH, ENDING BALANCE	<u>\$ 126,194</u>	<u>\$ 29,389</u>

CITY OF OSAGE CITY, KANSAS

BOND AND INTEREST FUND

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Ad Valorem Tax	\$ 48,938	\$ 49,741	\$ 50,911	\$ (1,170)
Motor Vehicle Tax	10,050	8,740	8,509	231
Special Assessments	33,883	44,231	37,000	7,231
Miscellaneous Income	11,200			
Transfers In	<u>267,410</u>	<u>275,420</u>	<u>275,420</u>	
Total Cash Receipts	371,481	378,132	\$ <u><u>371,840</u></u>	\$ <u><u>6,292</u></u>
CASH DISBURSEMENTS:				
Interest Payment	110,870	99,328	\$ 99,328	\$
Other costs		20		(20)
Principal Payment	<u>254,000</u>	<u>265,000</u>	<u>270,000</u>	<u>5,000</u>
Total Cash Disbursements	<u>364,870</u>	<u>364,348</u>	\$ <u><u>369,328</u></u>	\$ <u><u>4,980</u></u>
Receipts Over Disbursements	6,611	13,784		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>23,486</u>	<u>30,097</u>		
UNENCUMBERED CASH, ENDING BALANCE	\$ <u><u>30,097</u></u>	\$ <u><u>43,881</u></u>		

CITY OF OSAGE CITY, KANSAS

**ELECTRIC UPGRADE BOND AND INTEREST FUND
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2002 Actual</u>	<u>2003 Actual</u>	<u>2003 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Transfer	\$ 254,204	\$ 263,553	\$ 263,553	\$
Transfer From Electric Construction				
Interest On Idle Funds	<u>6,548</u>	<u>4,329</u>	<u></u>	<u>4,329</u>
Total Cash Receipts	260,752	267,882	263,553	4,329
CASH DISBURSEMENTS:				
Interest Payment	177,303	173,553	173,553	
Principal Payment	<u>75,000</u>	<u>90,000</u>	<u>90,000</u>	
Total Cash Disbursements	<u>252,303</u>	<u>263,553</u>	<u>263,553</u>	
Receipts Over Disbursements	8,449	4,329		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>2,755</u>	<u>11,204</u>		
UNENCUMBERED CASH, ENDING BALANCE	<u><u>11,204</u></u>	<u><u>\$ 15,533</u></u>		

CITY OF OSAGE CITY, KANSAS

**ELECTRIC UPGRADE BOND RESERVE FUND
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL
YEARS ENDED DECEMBER 31, 2003 AND 2002**

	<u>2002</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>
CASH RECEIPTS:		
Transfer From Electric	\$ _____	\$ _____
Total Cash Receipts		
CASH DISBURSEMENTS:		
Interest Payment		
Operating Transfer Out		
Contingency		
Other		
Principal Payment	_____	_____
Total Cash Disbursements	_____	_____
Receipts Over Disbursements		
UNENCUMBERED CASH, BEGINNING BALANCE	<u>312,000</u>	<u>312,000</u>
UNENCUMBERED CASH, ENDING BALANCE	<u><u>312,000</u></u>	\$ <u><u>312,000</u></u>

CITY OF OSAGE CITY, KANSAS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of Presentation - Fund Accounting - The accounts of the City of Osage City, Kansas (City) are organized on the basis of funds, each of which is considered a separate accounting entity.

The following types of funds comprise the financial activities of the City for 2003.

Governmental funds:

General fund - to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds - to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Capital project funds - to account for major capital expenditures not financed by other funds.

Debt service funds - to account for the payment of interest and principal on long-term general debt obligation.

Proprietary funds:

Enterprise funds - to account for operations that are financed and operated in a manner similar to business enterprises, where the stated intent 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 or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- b. 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.

The municipality has obtained a GAAP waiver from the State of Kansas, which thereby requires this type of special reporting.

- c. Departure from Generally Accepted Accounting Principles - 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 noncash assets such as receivables, inventories, prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end did 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 generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

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

The statutes allow for the governing body 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 budget amendments for the year ended December 31, 2003.

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

A legal operating budget is not required for capital project 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 governing body.

e. Comparative Amounts – The amounts shown for the year ended December 31, 2002 in the accompanying financial statements are included to provide a basis for comparison with 2003 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

Property Taxes – The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the following year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property taxes are due December 20, prior to the fiscal year for which they are budgeted, and second half is due the following May 10.

Motor Vehicle Taxes – Since 1981 most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax. In 1995, the legislature enacted a five-year phase down in the assessment rate on motor vehicles from 30% to 20% of market value.

Sales Tax – On April 1, 2003, the City held a special election of imposing , under K.S.A. 12-187, a Citywide retailers’ sales tax at the rate of 1% and applying the revenue received as follows: pledging six-tenths to pay the costs of constructing a new pool, including the payment of principal and interest on bonds issued by the City to finance any such pool, and applying four-tenths toward general property tax reduction in the City. The Citywide retailers’ sale tax passed with 477 yes votes and 275 votes.

In 2003, the City received the following from city, county and state taxes:

Property Taxes	\$ 492,461
Delinquent Property Taxes	7,952
Motor Vehicle Taxes	81,782
State Highway Aid	84,089
State and County Sales Taxes	131,486
City Sales Taxes	21,900
Local Alcohol Taxes	5,904
Special Assessments	53,143
	<u>\$ 878,717</u>

The assessed valuation in 2002 was \$14,124,034, which was used to determine the mill levy for 2003. The mill levy was 36.315 for 2003.

2. DEPOSITS

At year-end the carrying amount of the City’s deposits was \$4,459,113 and the bank balances were \$4,561,907. The difference between the carrying amount and the bank balances are outstanding checks and deposits in transit. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City’s name.

3. UTILITIES

The City provides water, electrical, sewer, solid waste and natural gas services. The City mails their utility bills on the 1st of each month. The utility bills are due by the 16th of the month. Payments received after the 16th are subject to a late charge of 7.5% on the unpaid balance. Late notices are mailed on the 17th and the City will disconnect services starting on the 27th.

The City requires at the time of making application for utility service, the property owner or customer shall make a cash deposit in the amount set by the governing body to secure payment of accrued bills or bills due on discontinuance of service.

Cash deposits for the indicated utility services shall be in the following amounts:

- Water service - \$30.00
- Electric service - \$90.00
- Gas service - \$90.00

The deposit made shall be kept by the city clerk in a separate account and deposited in a fund designated for utility deposits. Interest shall be payable at the rate determined by the state corporation commission yearly and credited to the customer's account January 1st of each calendar year.

In lieu of a cash deposit, the City may request a written letter of credit from the previous utility provider of the customer and may accept the letter of credit in lieu of a cash deposit if the utility payment record indicates no late payments for the previous twelve months.

Utility Rates are as follows:

Water:

Minimum	\$ 10.58	Includes 1,000 gallons
Rate per 1,000 gallons	\$ 2.96	

Sewer:

Minimum	\$ 6.00	Includes 2,000 gallons
Rate per 1,000 gallons	\$ 0.85	

Electric:

Minimum	\$ 13.00
Rate per kwh	\$ 0.08

Gas Rates:

Minimum	\$ 10.00	Includes 1,000 cf
Rate per 1,000 cf	\$ 7.60	Effective 12/16/02

Trash:

Residential	\$ 11.00
Residential out of town	\$ 15.00
Basic commercial	\$ 15.00

Aged Accounts Receivable and Utility Deposits at December 31, 2003 are as follows:

Current	\$ 511,937	93.87%
1-30 days	382	0.07%
31-60 days	1,189	0.22%
> 60 days	<u>31,834</u>	<u>5.84%</u>
Total	\$ <u>545,342</u>	<u>100.00%</u>
Utility Deposits	\$ <u>58,909</u>	

4. LONG TERM DEBT

The City's long-term debt is comprised of general obligation bonds, special assessment bonds and revenue bonds to finance the costs related to certain improvements of the City and are backed by the full faith and credit of the City at large and the City's inherent power to levy general ad valorem taxes and increase utility rates.

Changes in Long-Term Debt:

	<u>12/31/2002</u>	<u>Advances</u>	<u>Payments</u>	<u>12/31/2003</u>
Special Assessment	\$ 200,000	\$	\$ 10,000	\$ 190,000
Revenue	3,300,000	1,148,121	405,000	4,043,121
General Obligation	<u>2,045,000</u>	<u>1,600,000</u>	<u>255,000</u>	<u>3,390,000</u>
	<u>\$ 5,545,000</u>	<u>\$ 2,748,121</u>	<u>\$ 670,000</u>	<u>\$ 7,623,121</u>

Interest Payments:

Special Assessment	\$ 10,498
Revenue	182,328
General Obligation	<u>88,831</u>
	<u>\$ 281,657</u>

Total Debt Service:

Special Assessment	\$ 20,498
Revenue	587,328
General Obligation	<u>343,831</u>
	<u>\$ 951,657</u>

Special Assessment Bonds

Special assessment bonds are general obligation bonds issued in 1995 for the Huffman addition and are to be retired in the year 2015. Principal payments will be paid annually beginning October 1, 1996 ranging from \$4,000 to \$20,000 and semi-annual interest will be payable on April 1 and October 1. Interest rates range from 4.40% to 6.25%.

Revenue Bonds

Water distribution system revenue bonds series 1993 issued in the amount of \$170,000 (\$0 outstanding at December 31, 2003) are to be retired in the year 2003. Principal payments will be paid annually beginning December 1, 1995 ranging from \$10,000 to \$25,000 and semi annual interest will be payable on June 1 and December 1. Interest rates range from 3.5% to 4.6%.

Electric utility system revenue bonds series 1996 issued in the amount of \$765,000 (\$0 outstanding at December 31, 2003) were refunded in 2000 with Electric Utility System Refunding and Improvement Revenue Bonds, Series 2000. The bonds are held in escrow at a financial institution.

Electric utility system refunding and improvement revenue bonds, series 2000 issued in the amount of \$3,120,000 (\$2,895,000 outstanding at December 31, 2003) are to be retired December 1, 2020.

Principal payments will begin December 1, 2001 ranging from \$60,000 to \$565,000 and semi-annual interest will be payable on June 1 and December 1. Interest rates range from 4.80% to 6.15%.

In July 2002, the City entered into a loan agreement with Kansas Department of Health and Environment (KDHE) under the Kansas Public Water Supply Loan Fund in amount not to exceed \$2,036,500 (\$1,148,121 outstanding at December 31, 2003) at an interest rate of 4.13%. The purpose of the loan is finance the construction of 12,065 linear feet of 6 inch distribution line, 27,370 linear feet of 8 inch distribution line, installation of turbidity monitoring equipment and the addition of a fourth filter. The estimated cost of the project is \$2,836,500. The City has been awarded a Community Development Block Grant in 2002 for \$400,000. The City will provide \$400,000 from other sources including another application for a Community Development Block Grant in 2003.

General Obligation Bonds

Revenue bond refunding issue series 1993 issued in the amount of \$1,490,000 (\$0 outstanding at December 31, 2003) are to be retired in the year 2003. Principal payments will be paid annually on October 1, ranging from \$20,000 to \$185,000 and semi annual interest will be payable on June 1 and December 1. Interest rates range from 2.75% to 4.90%. Revenue from the electric, gas, water and sewer funds are to be used to retire this debt even though the bonds are general obligation bonds. The bond and interest fund indicated the fund transfer from the enterprise funds for principal and interest payments.

General obligation bonds series 1997A (Mussatto Addition) issued in the amount of \$136,742 (\$85,000 outstanding at December 31, 2003) are to be retired in the year 2012. Principal payments will be paid annually on September 1, ranging from \$6,742 to \$15,000 and semi annual interest will be payable on September 1 and March 1. Interest rates range from 4.15% to 5.15%.

General obligation bonds series 1999A, issued in the amount of \$825,000 (\$730,000 outstanding at December 31, 2003) are to be retired in the year 2019. Principal payments will be paid annually on September 1, ranging from \$5,000 to \$65,000 and semi annual interest will be payable on September 1 and March 1. Interest rates range from 3.95% to 5.875%.

General obligation bonds series 2001A, issued in the amount of \$1,034,000 (\$975,000 outstanding at December 31, 2003) are to be retired in the year 2021. Principal payments will be paid annually on December 1, ranging from \$30,000 to \$80,000 and semi annual interest will be payable on June 1 and December 1. Interest rates range from 2.20% to 4.75%.

General obligation sales tax bonds series 2003, issued in the amount of \$1,600,000 (\$1,600,000 outstanding at December 31, 2003) are to be retired in the year 2023. Principal payments will be paid annually on December 1, ranging from \$50,000 to \$550,000 and semi annual interest will be payable on June 1 and December 1. Interest rates range from 3.50% to 4.15%. At the option of the City, bonds maturing December 1, 2012 and thereafter, will be subject to redemption and payment prior to maturity on December 1, 2011, and thereafter, as a whole or in part at any time the redemption price of 100%.

Advance Refunding of Debt

In November 2000, the City issued Electric Utility System Refunding and Improvement Revenue Bonds, Series 2000 in the amount of \$3,120,000 of which \$570,000 was used to refund the Electric Utility System Revenue Bonds, Series 1996. As a result of the advanced refunding, the City increased its total debt service by \$62,160, which resulted in an economic loss of \$55,420. The City placed \$553,686 in an escrow account to pay the 1996 bond issue (\$0 outstanding at December 31, 2003). The escrow account had a balance of \$378,189 at December 31, 2003. The call date for the 1996 bond issue is December 1, 2002.

Principal and interest payments of long-term debt are as follows:

Special Assessment Bonds			
Year Ending	Principal	Interest	Total
2004	\$ 10,000	\$ 10,038	\$ 20,038
2005	10,000	9,568	19,568
2006	15,000	9,088	24,088
2007	15,000	8,352	23,352
2008	15,000	7,603	22,603
Thereafter	<u>125,000</u>	<u>36,696</u>	<u>161,696</u>
	<u>\$ 190,000</u>	<u>\$ 81,343</u>	<u>\$ 271,344</u>

Revenue Bonds

Electric Utility System Refunding And Improvement Revenue Bonds Series 2000

Year Ending	Principal	Interest	Total
2004	\$ 75,000	\$ 169,053	\$ 244,053
2005	85,000	165,303	250,303
2006	90,000	160,926	250,926
2007	100,000	156,246	256,246
2008	110,000	150,995	260,995
Thereafter	<u>2,435,000</u>	<u>1,170,426</u>	<u>3,605,426</u>
	<u>\$ 2,895,000</u>	<u>\$ 1,972,948</u>	<u>\$ 4,867,950</u>

General Obligations Bonds Mussatto Addition

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 10,000	\$ 4,158	\$ 14,158
2005	10,000	3,698	13,698
2006	10,000	3,232	13,232
2007	5,000	2,762	7,762
2008	10,000	2,523	12,523
Thereafter	<u>40,000</u>	<u>3,447</u>	<u>43,447</u>
	<u>\$ 85,000</u>	<u>\$ 19,820</u>	<u>\$ 104,820</u>

General Obligations Bonds Library

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 30,000	\$ 33,250	\$ 63,250
2005	35,000	31,585	66,585
2006	35,000	30,203	66,585
2007	35,000	28,785	65,203
2008	40,000	27,333	63,785
Thereafter	<u>555,000</u>	<u>137,369</u>	<u>692,369</u>
	<u>\$ 730,000</u>	<u>\$ 288,524</u>	<u>\$ 1,017,777</u>

General Obligations Bonds Series 2001A

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 35,000	\$ 39,556	\$ 74,556
2005	40,000	38,698	78,698
2006	40,000	37,598	77,598
2007	40,000	36,398	76,398
2008	45,000	35,118	80,118
Thereafter	<u>775,000</u>	<u>266,947</u>	<u>1,041,947</u>
	<u>\$ 975,000</u>	<u>\$ 454,314</u>	<u>\$ 1,429,314</u>

General Obligation Sales Tax Bonds

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 50,000	\$ 83,679	\$ 133,679
2005	50,000	57,318	107,318
2006	55,000	55,568	110,568
2007	55,000	53,643	108,643
2008	60,000	51,718	111,718
Thereafter	<u>1,330,000</u>	<u>461,045</u>	<u>1,791,045</u>
	<u>\$ 1,600,000</u>	<u>\$ 762,969</u>	<u>\$ 2,362,969</u>

5. COMPLIANCE WITH BOND REQUIREMENTS

The revenue bonds require that a principal and interest account be established and funded based on one-twelfth (1/12) of the principal payment that is due annually and one-sixth (1/6) of the interest that will become due on the bonds on the next succeeding interest date. The City has not established a separate bank account for the principal and interest account but has established a separate fund that records the transfers for principal and interest.

The electric utility system refunding and improvement revenue bonds, series 2000 also requires a bond reserve account to be established in the amount of \$312,000. The City has established a separate fund for this reserve but has not established a separate bank account.

In addition to establishing various accounts, the City is also required to maintain net operating income of 125% and 110% of the annual debt service for the Water Revenue System Bonds and the Electric Utility System Refunding and Improvement Revenue Bonds, respectively. The debt service coverage ratios are calculated as follows:

	Water System Revenue Bonds	Electric Utility System Refunding and Improvement Revenue Bonds
Receipts over disbursements	\$ 130,962	\$ 71,868
Adjustments:		
Transfers and reimbursed expenses	(10,639)	(13,253)
Transfers out Debt Service	<u>282,935</u>	<u>670,924</u>
Available for debt service	403,258	729,539
Debt service	<u>\$ 220,215</u>	<u>\$ 263,553</u>
Debt service coverage ratio	<u>183%</u>	<u>277%</u>

6. LEASES

In 1998, the City (lessor) entered into a 36-month lease agreement with the Osage Skate Center (lessee). The agreement requires the Osage Skate Center to pay the City 15% of their gross receipts, which amounted to \$5,912 for the year ending December 31, 2003.

The City (lessor) has entered into 1-year lease agreements for 8 hangers at the airport. The City received \$10,309 for the leasing of the hangers.

In 1993, the City (lessee) entered into a lease purchase agreement with Kansas State Bank of Manhattan (Bank) (lessor) in the amount of \$171,000 (\$0 outstanding at December 31, 2003) on behalf of The City Golf and Country Club, Inc. (Club) for a ten-year period. The City is required to pay the Bank semi annual payments of \$12,736 through February 1, 2003.

In 1989, the City entered into a lease agreement with Kan Build, Inc. The City is subleasing approximately 10 acres in the industrial park for twenty-five years. The City paid \$32,000 to Kan Build, Inc., which are the total lease payments for the twenty-five year period. At the end of the lease period the City has an option to purchase the land for \$2,000 per acre.

In 2001, the City (lessee) entered into a 36-month lease agreement with Altec Industries, Incorporated (lessor) for the use of equipment in the amount of \$119,000. The agreement requires a monthly lease payment of \$2,734. The interest rate is 2.29767%.

In 2003, the City (lessee) entered into a lease purchase agreement with the First State Bank of Burlingame (lessor) in the amount of \$28,505 (\$23,382 outstanding at December 31, 2002) for a John Deere lawnmower on behalf of The City Golf and Country Club, Inc. for a five year period. The City is required to make annual lease payments of \$6,439 for five years with an interest rate of 4.00%.

8. CONTRACTS

In 1972, the City entered into a 40-year agreement with Rural Water District No. 7 of Osage County, Kansas (District) to sell water in quantities as may be required by the District. The City sold 67,031,100 gallons to the District, which accounted for 33% of the total gallons sold.

In 1992, the City entered into a 40-year agreement with City of Burlingame, Kansas to sell water up to 250,000 gallons of water per day. In exchange for the sale of water, the City of Burlingame will pay to the City for a period of 180 months the sum of \$2,900 each month. In addition, the City of Burlingame agrees to pay a rate of \$1.44 per thousand gallons of water for the first 48 months after which the rate shall be subject to review and possible adjustment at that time and each two years thereafter. The rate at December 31, 2003 was \$1.71. The City sold 42,032,000 gallons to the City of Burlingame, which accounted for 21% of the total gallons sold.

In 1993, the City entered into a 40-year water purchase contract with the State of Kansas (State) for the purchase up to 100 million gallons annually from the Melvern Reservoir.

In 1988, the City entered into an agreement with Westar Energy (formerly the Kansas Power and Light Company) to purchase all the electric power and energy required by the City to supplement the City's needs to the extent not supplied from the City's self-owned generation. This contract is for 20 years from June 1, 1998; and for one-year periods thereafter unless notice of termination is given by written notice from one party to the other at least two years prior to the end of the primary twenty-year term. In 2003, the City purchased 10,209,695 kilowatts from Westar Energy and 15,875,905 from KMEA for a total of 26,085,600 kilowatts of electricity.

9. PENSION PLAN

The City's full-time employees participate in the Kansas Public Employees Retirement System ("System"), a multiple employer public employee retirement system. The payroll for employees covered by the System for 2003 was \$1,029,358. The City's total payroll for 2003 was \$1,068,164.

Covered employees are required by state statute to contribute 4% of their salary to the System. The City is required by statute to contribute 3.67% from January to March and 3.07% from April to December using the full funding method, which funds current costs each year and past service liability over a 40-year period. The contribution requirement for the year ended December 31, 2003, was \$71,443, which consisted of \$39,660 from employees and \$31,783 from the City.

10. COMPENSATED ABSENCES FOR EMPLOYEES

Vacation is accrued based on the years of services as follow:

Years of Service	0-9 Years	10-14 Years	Over 15 Years
Hours Accrued Per Period	4	6	8
Maximum Accrued Hours	140	160	180

Employees on precautionary status during their initial employment shall be credited vacation leave for each month of employment but shall not be permitted to use any vacation credit prior to the completion of six months of service.

Sick leave is accrued at 4 hours per pay period of employed service and can accumulate no more than ninety days for employees of less than ten years, 120 days for employees of ten years or more but less than 20 years, and 160 days for employees of more than 20 years. Upon termination with a minimum of 10 years of continuous employment and 120 days of credited sick leave, the employee is paid for 96 hours at his/her normal wage rate. With 20 years of continuous employment and 120 days of credited sick leave, the employee is paid for 240 hours at his/her normal wage rate. With 30 years of continuous employment and 120 days of credited sick leave, the employee is paid for 480 hours at his/her normal wage rate.

11. INTERFUND TRANSFERS

<u>Fund</u>	<u>Transferor</u>	<u>Transferee</u>
General Fund	\$ 85,000	\$ 258,740
Library Fund		2,500
Industrial Development Fund		7,000
Equipment Reserve Fund		18,000
Special Park and Recreation Fund		10,000
Special Sales Tax Fund	21,900	
Special Highway Fund	70,215	
Electric Fund	506,349	
Water Fund	203,462	
Gas Fund	97,582	
Sewage Disposal Fund	38,533	
Sanitation Fund	21,654	3,002
Capital Improvement Fund		202,480
Pool Improvement Fund		2,000
Electric Bond & Interest Fund		263,553
Sanitation Reserve Fund	3,002	5,002
Bond & Interest Fund		275,420
	<u>\$ 1,047,697</u>	<u>\$ 1,047,697</u>

In addition to interfund transfers, the City charges an administrative fee of approximately 7.7% of the utility funds sales. The following represents the administrative fees by fund:

	<u>Transferor</u>	<u>Transferee</u>
General Fund	\$ 344,167	\$
Electric Fund		164,575
Water Fund		53,322
Gas Fund		98,706
Sewage Disposal Fund		9,247
Sanitation Fund		18,317
	<u>\$ 344,167</u>	<u>\$ 344,167</u>

12. GRANTS

In May 2002, the City was awarded a Community Improvement Grant of \$400,000 through the Kansas Small Cities Community Development Block Grant program. The purpose of the grant was to provide funding for a water distribution system improvement which includes the construction of 12,065 linear feet of 6 inch distribution line, 27,370 linear feet of 8 inch distribution line, installation of turbidity monitoring equipment and the addition of a fourth filter. The estimated cost of the project is \$2,836,500. In 2003, the City received \$271,750 in grant proceeds; cumulative the City has received \$397,944.

In August 2003, the City was awarded a grant from the Federal Aviation Administration of \$126,850. The purpose of the grant is to make various improvements to the airport. The estimated cost of the improvements is \$140,944. In 2003, the City received \$106,959 in grant proceeds.

In November 2003, the City was awarded a grant from the Kansas Department of Transportation for \$632,550. The purpose of the grant was to make various improvements to the Santa Fe Depot. In 2003, the City received \$69,584 in grant proceeds.

12. CONCENTRATIONS OF CREDIT RISK

The City is engaged in the sale of water, electricity, sanitation, natural gas, and trash to customers located in Osage County in Kansas. The City grants credit to those customers and requires no collateral. The top five customers for electric, water, and gas account for 17%, 45%, and 10%, respectively, of the sales. The City has two wholesale customers which accounted for 41% of the water sales.

13. RELATED PARTY TRANSACTIONS

In 2003, the City purchased \$4,394 of good and services from members of the City Council. The purchases primarily included tools, equipment, and supplies.

14. ECONOMIC INCENTIVE PROGRAM

The City established an economic incentive program to recruit new business and to expand current businesses. The incentive would be for the electric utility usage; a percentage would be applied to electric bills and paid at the end of the ten-month period after confirmation of commitments made by the business for either jobs/or investment. The purpose of the incentive program is to create jobs and/or encourage reinvestment in an existing business. The incentive is based on a 10% rebate for each \$100,000 of direct investment in the facility located and/or 1% for each new full time job created at the facility and maintained for each twelve-month period. The total incentive cannot exceed 50% of the electric bill charges for 1998. The City paid \$82,130 in 2003 in economic incentives.

15. CAPITAL PROJECTS

Capital projects and purchases for the year ending December 31, 2003 consist of the following:

<u>Description</u>	<u>Beginning Balance</u>	<u>2003 Additions</u>	<u>Ending Balance</u>
Jones Park Sports Complex	\$ 296,220	\$ 34,054	\$ 330,274
City Hall Renovation	39,310	6,030	45,340
Gemoetric Improvement	232,942		232,942
Sewer Interceptor	232,621		232,621
Gas Line Replacement	112,926		112,926
Electric Upgrade/Generators	2,698,961		2,698,961
Cemetary Water Lines	1,600		1,600
Airport Runway Resurfacing	168,161		168,161
Shelter Houses	11,049		11,049
Museum Upgrade	250		250
Street Surfacing and Projects	1,265,572	81,760	1,347,332
13th Street Bridge Improvement	61,696		61,696
Drainage Projects	17,636		17,636
Barclay Project	1,310		1,310
Romine Ridge Project	28,562		28,562
Huffman Park Project	54,572		54,572
Computer and Office Equipment	23,603		23,603
Vehicles	54,783		54,783
Digger Truck	15,436		15,436
Radios	5,589		5,589
USD 420 Utility Relocates	125,563		125,563
City Dam	7,652		7,652
Artrain	10,942		10,942
Cemetary Clean Up	18,000		18,000
Public Safety Building	344,369		344,369
Tools and Other Equipment	108,451		108,451
Pool	2,470		2,470
Sidewalk	2,275		2,275

Airport Beacon & Apron	\$	\$	107,424	\$	107,424
Electric Motor Control Center			61,828		61,828
Digger Truck Lease			32,811		32,811
Emergency Siren			12,197		12,197
Meter Readers			22,929		22,929
Aquatics Center			124,664		124,664
Smoke In The Spring BBQ			10,212		10,212
Santa Fe Depot			50,422		50,422
Community Building			2,490		2,490
City Network			2,564		2,564
Cat Loader			18,944		18,944
2 Dump Trucks			25,000		25,000
1998 Ford Truck			6,840		6,840
1995 Ford Street Sweeper			32,000		32,000
Water Line/Water Plant			1,413,778		1,413,778
			<u>1,413,778</u>		<u>1,413,778</u>
	\$	\$	<u>5,942,521</u>	\$	<u>7,988,468</u>
			<u>2,045,947</u>		<u>2,045,947</u>

In 2003, the City started the following projects:

Santa Fe Depot Project – This project will restore the current depot portion to allow its use as a City museum. The old cargo bays will be reconstructed for use as a 50-60 person meeting hall. Construction began in late in 2003. The estimated cost of the project is \$632,550. In 2003, the City spent \$50,422 for development and design work, this amount is included in the Capital Improvement Fund.

Street Improvement Project – This project included a mill and overlay of South Ninth Street. In 2003, the City spent \$80,624 for the project, which is included in the Capital Improvement Fund.

City Network Project – This project resulted in the City networking the power plant, council room and water and gas to the network server. In 2003, the City spent \$2,564, which is included in the Capital Improvement Fund.

Community Building Project – This project involves updating and repairs, including purchasing new equipment and updating the kitchen area. In 2003, the City spent \$2,490, which is included in the Capital Improvement Fund.

City Pool – This project involves the constructing of a new City swimming pool. In 2003, the City spent \$99,062, which \$9,962 is included in the Capital Improvement Fund and \$89,100 is included in the Pool Improvement Fund.

Water Distribution System and Water Treatment Plant – These projects involve the construction of 12,065 linear feet of 6 inch distribution line, 27,370 linear feet of 8 inch distribution line and installation of turbidity monitoring equipment and the addition of a fourth filter. The estimated cost of the project is \$2,836,500. In 2003, the City spent \$1,413,778, which is included in the Water Upgrade Fund.

16. COMPLIANCE WITH KANSAS LAW

Kansas statutes require that fixed budgets be legally adopted for special revenue and enterprise funds. Actual expenditures compared to budgeted expenditures are as follows:

<u>Fund</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Employee Benefits Fund	\$ 177,835	\$ 172,861	\$ 4,974
Equipment Reserve Fund	\$ 55,472	\$ 30,000	\$ 25,472
Golf Course Improvement Fund	\$ 19,175	\$ 18,775	\$ 400

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the City. There were no apparent statutory violations other than the item noted above during the year ended December 31, 2003 for the funds that were part of this audit.

* * * * *

CITY OF OSAGE CITY, KANSAS

INSURANCE IN FORCE YEAR ENDED DECEMBER 31, 2003

Policy Type	Expiration Date	Company	Annual Premium	Amount of Coverage	Description
General Liability	4/1/2004	Employers Mutual Casualty Company (EMCC)	\$9,911	1,000,000	Aggregate limit 1,000,000 Property damage limit 500,000 Personal injury limit 500,000 Advertising injury limit 100,000 Fire damage legal liability 5,000 Medical expense
Commercial Property	4/1/2004	EMCC	45,954	13,162,973	Buildings 1,956,800 Personal property
Linebacker Coverage	4/1/2004	EMCC	3,173	500,000 1,000,000	Each loss Aggregate
Workers Compensation	1/1/2004	Kansas Municipal Insurance Trust	40,238	500,000 500,000 500,000	Bodily injury by accident Bodily injury by each employee Bodily injury by policy limit
Employee Dishonesty	4/1/2004	EMCC	152	10,000 25,000	Fidelity bond Public official bond
Inland Marine	4/1/2004	EMCC	6,147	639,547 53,510	Contractors equipment Data processing equipment
Business Auto	4/1/2004	EMCC	17,846	500,000 60,000 60,000	Liability Uninsured motorists Underinsured motorists
Airport Owners & Operators General Liability Policy	11/14/2004	Old Republic Ins. Co.	1,869	1,000,000 1,000,000 1,000,000	Personal injury Malpractice limit Each occurrence limit

CITY OF OSAGE CITY, KANSAS

SCHEDULE OF UTILITY STATISTICS

YEARS ENDED DECEMBER 31, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002 AND 2003

	1995	1996	1997	1998	1999	2000	2001	2002	2003
WATER									
Gallons of water sold	166,889,800	163,218,500	158,053,100	152,786,738	157,072,900	181,967,200	177,870,300	177,416,000	204,888,100
Number of customers	1,263	1,278	1,284	1,313	1,314	1,308	1,300	1,318	1,348
Average gallons sold per customer per month	11,011	10,643	10,258	9,697	9,961	11,593	11,402	11,218	12,666
Water sale per customer per month	\$33	\$32	\$29	\$29	\$39	\$45	\$45	\$39	\$43
ELECTRICITY									
Kilowatts of electricity sold	20,091,014	20,381,382	19,921,760	21,055,346	20,878,727	22,831,478	22,019,130	24,263,464	23,884,408
Number of customers	1,526	1,545	1,551	1,549	1,562	1,565	1,562	1,572	1,608
Average kilowatts sold per customer per month	1,097	1,099	1,070	1,133	1,114	1,216	1,175	1,286	1,238
Electricity sale per customer per month	\$69	\$71	\$70	\$79	\$127	\$125	\$125	\$123	\$122
NATURAL GAS									
Cubic feet of gas sold	150,322,900	169,491,500	119,461,107	138,273,300	141,914,900	142,199,200	133,742,000	136,826,700	135,859,800
Number of customers	1,335	1,353	1,354	1,385	1,393	1,387	1,374	1,392	1,416
Average cubic feet sold per customer per month	9,383	10,439	7,352	8,320	8,490	8,544	8,111	8,299	7,996
Gas sale per customer per month	\$47	\$52	\$50	\$43	\$78	\$68	\$68	\$77	\$66

CITY OF OSAGE CITY, KANSAS

SCHEDULE OF OTHER STATISTICS

YEARS ENDED DECEMBER 31, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002 AND 2003

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Population	2,873	2,940	2,940	2,951	2,940	3,034	3,034	3,043	3,027
Valuations	7,601,674	9,455,977	10,711,781	11,815,023	12,091,529	13,217,062	13,759,323	14,124,034	14,422,525
Mill Levy - Total	30.859	29.164	24.751	23.572	29.729	33.259	33.336	36.315	32.598
Total Receipts	\$5,323,912	\$6,466,993	\$7,127,413	\$5,843,861	\$6,503,442	\$9,973,692	\$7,628,345	\$7,625,510	\$10,323,399
Total Disbursements	\$5,922,988	\$5,641,385	\$7,613,104	\$6,146,118	\$6,609,463	\$9,385,658	\$9,340,218	\$6,403,309	\$8,680,915
Receipts Per Capita	\$1,853	\$2,200	\$2,424	\$1,980	\$2,190	\$3,287	\$2,514	\$2,506	\$3,410
Disbursements Per Capita	\$2,062	\$1,919	\$2,589	\$2,083	\$2,225	\$3,093	\$3,079	\$2,104	\$2,868
Bond Indebtedness	\$1,540,000	\$2,300,000	\$2,196,742	\$1,940,000	\$2,495,000	\$5,330,000	\$5,984,000	\$5,639,853	\$7,623,121
Bond Indebtedness Per Capita	\$536	\$782	\$747	\$657	\$840	\$1,757	\$1,972	\$1,853	\$2,518

CITY OF OSAGE CITY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2003

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Program Receipts	Program Disbursements
Community Development Block Grant Community Improvement Grant	14.228		
Total Award Amount		\$ <u>800,000</u>	
Grants		\$ <u>271,750</u>	\$ <u>271,750</u>

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Council
City of Osage City, Kansas

We have audited the financial statements of City of Osage City, Kansas (City), as of and for the year ended December 31, 2003, as listed in the table of contents, and have issued our report thereon dated May 12, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Osage City, Kansas (City), financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Osage City, Kansas (City), internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

May 12, 2004

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Mayor and City Council
City of Osage City
Osage County, Kansas

Compliance

We have audited the compliance of City of Osage City, Kansas (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to the major federal program for the year ended December 31, 2003. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on their major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

May 12, 2004

CITY OF OSAGE CITY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2003

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Osage City, Kansas presented on a cash basis of accounting.
2. No reportable conditions relating to the audit of the financial statements were noted.
3. No instances of noncompliance material to the financial statements of Osage City were disclosed during the audit.
4. The auditors' report on compliance for the major federal program expresses an unqualified opinion.
5. There were no audit findings relative to the major federal program.
6. The City of Osage City, Kansas was not determined to be a high-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM

None