

The City of Topeka, Kansas



New arrivals for 2010

at the

City of Topeka Zoo



Annual Financial Report

For Year Ended December 31, 2010

**City of Topeka, Kansas
Annual Financial Report
For the Year Ended December 31, 2010**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Topeka, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Topeka, Kansas (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the Kansas Municipal Audit Guide, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2010 and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I to the financial statements, management determined that certain adjustments to opening net assets and fund balances were necessary. As a result, the beginning governmental activities net assets decreased \$51,832,885; business-type activities net assets increased \$818,628; governmental funds fund balance increased \$8,180,000; and enterprise fund's net assets decreased \$10,177.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress, which appear as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 financial statements as a whole.

January 27, 2012

Cochran Head Vick & Co. P.A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Topeka, Kansas, we offer readers of the City of Topeka's financial statements this narrative overview and analysis of the financial activities of the City of Topeka for the year ended December 31, 2010. Amounts are presented as whole dollars, except as otherwise indicated.

In 2010, the City of Topeka made several accounting changes, consolidated several funds and reclassified funds from fiduciary type funds to special revenue types. Therefore, when comparisons are made to 2009, the amounts have been restated to reflect the changes there also.

FINANCIAL HIGHLIGHTS

- The net assets of the City of Topeka at the close of the most recent fiscal year was \$489,102,413. Of this amount, \$63,221,671 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased \$2.3 million to \$489.1 million in 2010. The \$2.3 million decrease is comprised of a decrease in net assets of the governmental activities of \$7.4 million, and an increase in net assets of the City's business type activities of \$5.1 million.
- At the close of 2010, the City of Topeka's governmental funds reported combined ending fund balances of \$26.2 million, an increase of \$2.3 million in comparison with the prior year. About 31.6% of the \$26.2 million, is *available for spending* at the government's discretion (*unreserved fund balances*).
- At the end of 2010, unreserved, undesignated fund balance for the General Fund was \$10.0 million or 12.7% of total General Fund revenues, and 12.2% of General Fund expenditures.
- For the General Fund, actual resources available for appropriation in 2010 (revenue inflows and fund balance) were \$2.8 million less than the final budget, while actual appropriations (outflows) were \$10.4 million less than budgeted for the year. The main shortfall in revenue was due to sales taxes.
- The City of Topeka's total bonded debt had a net increase of \$4.2 million (1.4%) during 2010. A summary of all 2010 changes in the City's long-term debt and liabilities can be found in the notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Topeka's financial report, which includes the basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other statements included provide financial information about activities for which the City acts solely as an agent for the benefit of entities outside of the government.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Topeka's finances, in a format similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City of Topeka's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing of related cash flows. So, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods; for example, uncollected taxes or earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the City of Topeka that are principally supported by taxes and intergovernmental activities (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The City's governmental activities include general government, public safety, public works, parks and recreation, public housing, social services and interest. Property taxes, sales taxes, franchise fees, motor fuel taxes and transient guest taxes finance most of these activities. The City's business-type activities include a combined water, water pollution control and storm water utility, public parking facilities, and a municipally owned and operated public golf course.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds, not about the City of Topeka as a whole. Some funds are required to be established by State law or by bond covenants. In addition, the City Council establishes other funds to help control and manage money for particular purposes, or to demonstrate that Topeka is complying with legal requirements for using certain taxes, grants, and other money. The City has three types of funds—**governmental, proprietary, and fiduciary**—which use different accounting approaches.

Governmental funds—Most of the City's basic services are reported in its governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. These funds are reported using an accounting method called the *modified accrual* basis of accounting, which measures cash and all other *financial* assets that can readily be converted to cash. With this method, the governmental fund statements provide a detailed, *short-term view* of the City's general government operations and the basic services it provides.

Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental *funds* (reported in the fund financial statements) in a reconciliation document following the fund financial statements.

The City of Topeka maintains twenty-six individual governmental funds. In 2010 four of those funds were being phased out and consolidated into the general fund. Information is presented separately in the *governmental funds balance sheet* and in the *governmental funds statement of revenues, expenditures, and changes in fund balance* for the General Fund, the Parks and Recreation Fund (one being consolidated into the General Fund), Special Street Repairs Fund, Sales Tax Street Repairs Fund, the Debt Service Fund, and the Capital Projects Fund, all of which are considered to be *major funds*.

Data from the remaining governmental funds, which the City categorizes as *special revenue funds and capital project funds*, are aggregated for presentation. Special revenue funds and capital projects funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Individual fund data for each of these *non-major funds* are provided in the form of *combining statements* in the *Other Fund Statements & Schedules* section of this report.

The City of Topeka adopts annual, appropriated budgets for its major funds, and budgetary comparison statements are presented to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found in the *Fund Financial Statements* and the *Other Fund Statements & Schedules* section of this report.

Proprietary funds— Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of Topeka maintains two different types of proprietary funds.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City has three enterprise funds: the combined Water, Water Pollution Control, and Stormwater Utility Fund, a major fund; and the Public Parking Facilities and the Public Golf Course, which both are non-major funds shown in the aggregate in the *Proprietary Funds* statements presented in the *Fund Financial Statements* section.

Internal service funds are the second type of proprietary funds maintained by the City of Topeka. An internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Topeka uses three internal service funds: Information Technology; Fleet Services; and Combined Risk Management, which includes employees' health insurance, workers' compensation and vehicle self-insurance, unemployment compensation, and risk management reserve activities.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the City of Topeka's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The City's fiduciary activities are reported in the *Statement of Fiduciary Net Assets*, at the end of the *Fund Financial Statements* and after the budget basis schedules in the *Other Fund Statements & Schedules*.

Notes to the financial statements

The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

Other Fund Statements and Schedules

In addition to the basic financial statements and accompanying notes, this report also presents the combining and individual fund statements and budgetary schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Topeka, assets exceeded liabilities by \$489,102,413 at the close of 2010, the most recent fiscal year.

By far the largest portion of the City of Topeka's net assets (75.5%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related outstanding debt used to construct or acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The table below summarizes net assets:

Table 1
City of Topeka
Condensed Statement of Net Assets
December 31, 2010

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------|--------------------------|--------------|----------------|---------------|
| | 2010 | 2009* | 2010 | 2009* | 2010 | 2009* |
| Current and other assets | \$124,948,346 | \$117,981,492 | \$68,811,010 | \$53,023,945 | \$ 193,759,356 | 171,005,437 |
| Capital assets, non-depreciable | 55,037,442 | 75,577,094 | 27,162,557 | 23,296,097 | 82,199,999 | 98,873,191 |
| Capital assets, net of depreciation | 377,734,491 | 368,368,447 | 341,278,566 | 351,661,544 | 719,013,057 | 720,029,991 |
| Total assets | 557,720,279 | 561,927,033 | 437,252,133 | 427,981,586 | 994,972,412 | 989,908,619 |
| Long-term liabilities outstanding | 197,276,892 | 199,914,197 | 223,238,256 | 218,592,222 | 420,515,148 | 418,506,419 |
| Other liabilities | 75,067,357 | 69,182,432 | 10,287,494 | 10,812,996 | 85,354,851 | 79,995,428 |
| Total liabilities | 272,344,249 | 269,096,629 | 233,525,750 | 229,405,218 | 505,869,999 | 498,501,847 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 224,786,079 | 236,169,708 | 144,341,063 | 152,680,549 | 369,127,142 | 388,850,257 |
| Restricted | 33,594,227 | 23,871,676 | 23,159,373 | 20,261,979 | 56,753,600 | 44,133,655 |
| Unrestricted | 26,995,724 | 32,789,022 | 36,225,947 | 25,633,840 | 63,221,671 | 58,422,862 |
| Total net assets | \$285,376,030 | \$ 292,830,406 | 203,726,383 | 198,576,368 | \$489,102,413 | \$491,406,774 |

*as restated

The Total Net Assets of the City had a slight decrease of \$2.3 million from 2009. The composition of the net assets changed, with an increase of restricted assets by \$12.6 million, a decrease in invested in capital assets, net of related debt of \$19.7 million and unrestricted net assets increased \$4.8 million.

A portion of the City's total net assets (11.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$63,221,671 or 12.9% may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the governmental and business-type activities. The same situation also occurred in the prior fiscal year.

The City's governmental net assets decreased 2.6%, from \$292.8 million to \$285.4 million, in 2010.

Non-depreciable governmental capital assets decreased by \$20.5 million. This was a result of capitalizing construction projects of \$35.0 million consisting of bridge work for \$26.9 million, street and infrastructure improvements for \$6.2 million, improvements to park facilities for \$0.9 million, and \$1.0 million for other City improvements. While the City completed many projects, it also began new ones of \$14.1 million. This consisted of mainly street projects of \$10.1 million, park and recreation improvements for \$2.5 million, building improvements of \$1.2 million and miscellaneous other projects for \$0.3 million.

The value of governmental depreciable capital assets increased \$9.4 million in 2010. The main increase was in building improvements of \$8.0 million and infrastructure and an increase in

vehicles of \$2.5 million and then a slight decrease in tools and equipment. The long-term debt saw a decrease of \$2.6 million and other liabilities increased \$5.9 million in 2010. The increase in other liabilities, consisted of an increase in temporary notes of \$4.5 million, an increase in amounts owed to others and estimated insurance claims of \$1.8 million, an increase in interest payable of \$0.8 million, an increase in amount due to component unit of \$0.7 million, a decrease in salaries and wages payable of \$0.2 million, and a decrease of \$3.7 million of unearned revenue.

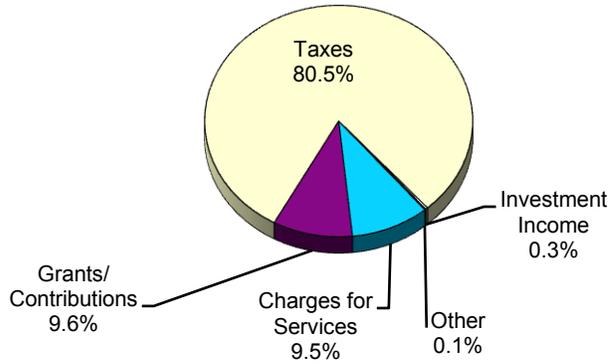
The City of Topeka's business-type assets increased by \$5.1 million or 2.6% in 2010. Assets showed increases in the areas of cash, land and infrastructure, and accounts receivable. While showing decreases in inventories and depreciable property. The combined utilities also had a rate increase effective May 1, 2008, that would increase each year through 2011. Short-term financing decreased by \$1.9 million, while permanent financing of general obligation bonds decreased \$0.3 million and revenue bonds increased \$8.2 million. Restricted net assets increased by \$2.9 million and assets net of related debt decreased by \$8.3 million.

Statement of Activities

The charts on the next page depict the elements of the 2010 governmental activities. *Table 2* on the page after the charts shows the revenues and expenses of both the governmental and business-type changes in net assets.

**Fiscal Year 2010 Government Activities
(Also see Table 2 on next page)**

Sources of Revenue



Functional Expenses

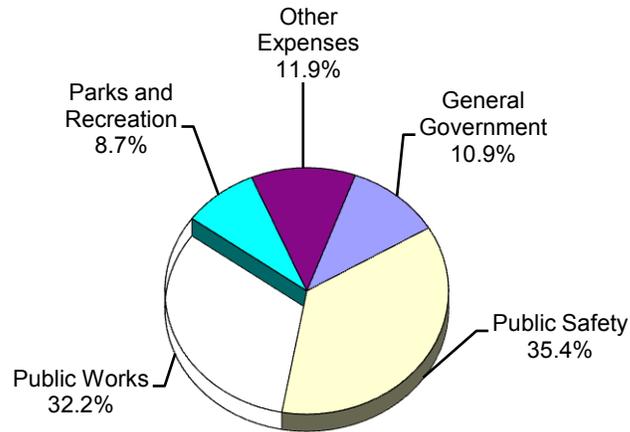


Table 2
City of Topeka, Kansas
Statement of Activities and Changes in Net Assets

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2010 | 2009* | 2010 | 2009* | 2010 | 2009* |
| Revenues | | | | | | |
| <u>Program revenues</u> | | | | | | |
| Charges for services | \$ 13,011,734 | \$ 13,372,466 | \$ 62,872,895 | \$ 60,097,427 | \$ 75,884,629 | \$ 73,469,893 |
| Operating grants and contributions | 9,429,817 | 5,600,726 | - | - | 9,429,817 | 5,600,726 |
| Capital grants and contributions | 3,790,754 | 3,444,291 | 1,048,271 | 3,782,949 | 4,839,025 | 7,227,240 |
| <u>General revenues</u> | | | | | | |
| Property taxes | 41,365,990 | 41,411,812 | - | - | 41,365,990 | 41,411,812 |
| Sales taxes | 47,878,274 | 40,240,637 | - | - | 47,878,274 | 40,240,637 |
| Franchise taxes | 12,090,272 | 11,916,523 | - | - | 12,090,272 | 11,916,523 |
| Motor fuel taxes | 5,592,181 | 6,648,136 | - | - | 5,592,181 | 6,648,136 |
| Service assessments | 274,485 | 280,871 | - | - | 274,485 | 280,871 |
| Alcoholic beverage taxes | 1,565,766 | 1,617,758 | - | - | 1,565,766 | 1,617,758 |
| Transient guest taxes | 1,839,049 | 1,719,807 | - | - | 1,839,049 | 1,719,807 |
| Grants and contributions not restricted to specific programs | - | 136,764 | - | - | - | 136,764 |
| Unrestricted investment earnings | 375,862 | - | 872,900 | 966,083 | 1,248,762 | 966,083 |
| Gain on sale of capital assets | 188,930 | - | 43,470 | 36,365 | 232,400 | 36,365 |
| Total revenues | 137,403,114 | 126,389,791 | 64,837,536 | 64,882,824 | 202,240,650 | 191,272,615 |
| Expenses | | | | | | |
| General government | 15,778,573 | 15,465,315 | - | - | 15,778,573 | 15,465,315 |
| Public safety | 52,672,902 | 54,755,404 | - | - | 52,672,902 | 54,755,404 |
| Public works | 46,619,088 | 42,978,969 | - | - | 46,619,088 | 42,978,969 |
| Miscellaneous | 3,714,714 | 206,630 | - | - | 3,714,714 | 206,630 |
| Parks and Recreation | 12,533,312 | 14,085,183 | - | - | 12,533,312 | 14,085,183 |
| Public Housing | 5,360,789 | 3,567,992 | - | - | 5,360,789 | 3,567,992 |
| Social Services | 547,155 | 1,077,479 | - | - | 547,155 | 1,077,479 |
| Interest | 7,630,957 | 6,870,170 | - | - | 7,630,957 | 6,870,170 |
| Water, Water Pollution Control, & Stormwater Utility | - | - | 56,363,844 | 56,248,119 | 56,363,844 | 56,248,119 |
| Public Parking | - | - | 3,323,677 | 3,939,077 | 3,323,677 | 3,939,077 |
| Public Golf Course | - | - | - | 11,669 | - | 11,669 |
| Total expenses | 144,857,490 | 139,007,142 | 59,687,521 | 60,198,865 | 204,545,011 | 199,206,007 |
| Increase in net assets before transfers | (7,454,376) | (12,617,351) | 5,150,015 | 4,683,959 | (2,304,361) | (7,933,392) |
| Transfers in (out) | - | 51,879 | - | (51,879) | - | - |
| Increase (Decrease) in Net Assets | (7,454,376) | (12,565,472) | 5,150,015 | 4,632,080 | (2,304,361) | (7,933,392) |
| Net Assets - Beginning | 292,830,406 | 305,395,880 | 198,576,368 | 193,944,288 | 491,406,774 | 499,340,168 |
| Net Assets - Ending | \$ 285,376,030 | \$ 292,830,408 | \$ 203,726,383 | \$ 198,576,368 | \$ 489,102,413 | \$ 491,406,776 |

* as restated

The overall City's net assets decreased by \$2.3 million, with governmental activities decreasing \$7.4 million and business-type increasing by \$5.1 million. The net change in governmental activities was better than 2009 by \$5.1 million, but the City still shows an unfavorable net change. Even though the revenues increased from 2009 by \$11.0 million, the revenues were still lower than expenses for the last two years. The largest increase in revenues of \$7.6 million were in sales taxes. This was the first full year for the voter approved ½% sales tax for street repairs. The sales tax was passed to repair and maintain the City's street infrastructure. The second largest increase in revenues was in the operating and capital grant area of \$3.8 million. The City was able to obtain some of the American Recovery and Reinvestment Act Grants, otherwise known as ARRA. The grants were in the areas of public safety (hiring of police officers), public housing (homeless prevention), and public works (energy efficiency and conservation). The City was awarded a total of \$4.2 million and spent \$2.3 million in 2010.

The largest revenue increase for the business-type activities was in fees for services of \$2.8 million. The combined utilities have one more year left in a series of approved annual rate increases.

The following table summarizes the costs of the City's four largest governmental activities—general government, public safety, public works, and parks and recreation—as well as each activity's *net* cost (total cost to provide the services, less any revenues generated by the activity and excluding the general revenues). The net cost shows the financial burden that was placed on the City's taxpayers by each of these governmental functions.

Table 3
Net Cost of Governmental Activities (in millions)

| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
|--------------------|---------------------------------------|-------------------------------------|
| General government | \$ 15.8 | \$ 8.6 |
| Public Safety | 52.7 | 50.2 |
| Public works | 46.6 | 38.8 |
| Parks & recreation | 12.5 | 9.4 |
| Totals | <u>\$ 127.6</u> | <u>\$ 107.0</u> |

The net cost of operations for the four major areas decreased by \$2.2 million from 2009, as detailed below:

- The largest increase in total cost of services was in Public Works of \$3.6 million. The increase was mostly attributable to the addition of the sales tax street repairs fund, which is for maintaining street infrastructure. While the sales tax revenues fall under the general revenues of sales taxes.
- The total cost of services for Public Safety decreased by \$2.1 million, while the net costs of operations decreased by \$3.3 million. The City received more in operating grants and contributions, while having increases in compensated absences and in OPEB expenses.
- Parks and Recreation decreased in both total cost by \$1.6 million, while the net cost decreased by \$1.4 million also. The charge for services went down, while the amount of grants remained constant.

Business-type activities

The change in net assets of the City's business-type activities increased by \$.5 million during 2010. Table 4 presents the net revenue from, or cost of, the City's two largest business-type activities – the combined Water, Water Pollution Control and Stormwater Utility and the Public Parking Fund – as well as each activity's net cost or proceeds (total cost to provide the services, less any revenues generated by the activity and excluding the general revenues).

Table 4
Net Cost of Business-Type Activities (in millions)

| | Total Cost of Services | Net Costs(proceeds) of Services |
|---|------------------------------|---------------------------------------|
| Water, Water Pollution Control, & Stormwater Utility | \$ 56.4 | \$ (4.4) |
| Public Parking | 3.3 | 0.2 |
| Totals | \$ 59.7 | \$ (4.2) |

The total cost of services for the combined utilities increased by \$0.2 million, while the net cost of services increased by \$0.1 million, compared to 2009. The City approved utility rate increases effective May 1, 2008 and increases each year through 2011, accounting for an increase of \$2.8 million, while capital grants and contributions decreased by \$2.7 million. Public Parking had a decrease in total cost of services of \$0.6 million and an increase in net cost of services of \$1.0 million, compared to 2009.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted before, the City of Topeka uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following is an analysis of our funds.

Governmental Funds

The focus of the City of Topeka's *governmental funds* is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing our financing requirements. In particular, *unreserved fund balance* serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2010, the City's governmental funds reported combined, ending fund balances of \$26.2 million, which is an increase of \$2.3 million from the prior year. All of the major funds had net increases in fund balances except for Parks and Recreation and the Capital Projects fund. Parks and Recreation was a decrease, because the remaining fund balance was being transferred to the General Fund in order to phase out this fund. The overall fund balance for non-major funds was a decrease of \$6.0 million, with the largest decrease occurring in the ½ % Sales Tax Fund of \$4.6 million. There were also decreases in the three non-major funds being transferred to the General Fund of \$0.9 million. The retirement reserve fund showed a decrease in fund balance of \$0.7 million. This was due to paying out of vacation and compensatory time for the retirees who took the retirement incentive offered in June 2010.

Approximately 31.6%, or \$8.3 million, of this total amount is unreserved fund balance, which is available for spending at the City's discretion. The remaining fund balance is reserved to indicate

that it has already been committed to liquidate contracts and purchase orders (\$8.3 million) or for payment of debt service (\$9.6 million).

The General Fund is the chief operating fund of the City of Topeka. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$10.0 million, and the total fund balance was \$10.9 million. As a measure of the general fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.2% of total general fund expenditures, and total fund balance is 13.3% of expenditures. Prior to the restatement of the fund balance due to the accounting changes and consolidation of some funds, the General Fund's unreserved fund balance ran around 7% and the total fund balance was around 8%.

The fund balance of the City's General Fund increased by \$1.3 million during 2010. Factors in the net increase of General Fund balance include:

- Revenues increased \$12.2 million, with a corresponding increase of expenses by \$10.1 million, due to consolidating Parks and Recreation, Zoo, General Improvement, and the Unsafe Structures Funds into the General Fund. The revenues associated with these funds are mostly sales taxes and fees for services.
- Transfers in, increased by \$1.1 million, receiving \$.2 million from Parks and Recreation, \$.6 million from the General Improvement Fund, \$.1 million from the Zoo and \$.2 million from the Unsafe Structures Fund, due to the phasing out of those funds.

The Parks and Recreation Fund ended 2009 with a fund balance of \$.2 million and was transferred to the General Fund in 2010.

The Special Street Repairs Fund ended 2010 with a fund balance of \$2.5 million, an increase over the 2009 ending fund balance of \$.3 million. The expenditures in this fund are to be used to repair City streets and funded solely by motor fuel taxes collected by the State.

The Sales Tax Street Repairs Fund was a non-major fund in 2009, but moved to a major fund in 2010. The fund balance increased \$7.7 million from 2009, ending 2010 with \$11.1 million. The sole revenue of this fund is sales taxes and is for the purpose of repairs and improvements to existing streets, curbs and gutters, alleys, sidewalks, and street lights.

The Debt Service Fund had a total fund balance of \$9.6 million at December 31, 2010, all of which is reserved for the payment of debt service. The fund balance increased by \$2.8 million from 2009. See the *Notes to the Financial Statements*, for a more complete description of activity in the Debt Service Fund.

In 2009 there were five Capital Project Funds, but in 2010 they were consolidated into one fund. Once consolidated, the fund met the requirements as a major fund. The fund balance had a decrease in fund balance by \$3.7 million.

Proprietary funds

The City of Topeka's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail. See the *Basic Financial Statements* section for more information. The total net assets of the combined Water, Water Pollution Control, and Stormwater Utility Fund ended December 31, 2010, at \$195.8 million, an increase from 2009 of \$5.8 million. This change consisted of the invested in capital assets, net of related debt, decreasing by \$8.3 million, the unrestricted portion increased by \$10.4 million and the restricted portion increased by \$2.9 million. The City increased long-term, revenue debt by \$8.2 million and decreased the amount of State revolving loans of \$4.7 million. The nonmajor enterprise funds, which consists of Public Parking and the City's Golf Course, remained fairly constant, while reducing long term general obligation debt.

GENERAL FUND BUDGETARY HIGHLIGHTS

In 2010 the General Fund did not have any budget amendments, so the discussion for the original budget and the final budget will be the same.

General Fund revenues came in \$2.8 million lower than anticipated, and expenditures were \$10.4 million less than budgeted in 2010. Key factors of the difference include:

- Sales tax revenues were \$1.4 million lower than budgeted.
- The second largest unfavorable revenue variance was in Franchise Fees of \$.7 million.
- The only revenues with favorable variances were payment in lieu of taxes, licenses, municipal court fines and fees, and miscellaneous income. Most other revenues came in unfavorable to budget.
- Most of the spending variances were favorable with only a few unfavorable areas of expenditures, which were in Legal Services, Financial Services and Parks and Recreation Administration.
- Due to the anticipated shortfall in revenues, City management implemented restricted spending measures, offered retiree incentives and laid off employees.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, the City had \$801.2 million invested in a broad range of capital assets, including police and fire equipment, buildings, improvements, land, park facilities, water and wastewater treatment facilities, and roads and bridges (see Table 5 below). To find more information on capital assets, refer to the *Notes to the Financial Statements* and to the *Other Fund Statements and Schedules* section of this report. Capital asset transactions during the current fiscal year included:

- The City had a net effect of increasing governmental assets for infrastructure by \$8.4 million.
- The City was able to capitalize \$35 million in governmental construction projects, consisting of \$26.5 million for one of the City's main bridges.
- The Combined Utility Fund replaced and installed new water lines on the Topeka Blvd Bridge and installed sanitary sewers and drain improvements. The combined utilities were able to complete and capitalize existing projects for around \$1.3 million.

Table 5
City of Topeka's Capital Assets
(net of depreciation)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|-----------------------|---------------------------------|-----------------------|-----------------------|-----------------------|
| | <u>2010</u> | <u>2009*</u> | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009*</u> |
| Land | \$ 6,367,861 | \$ 6,367,861 | \$ 1,675,360 | \$ 1,547,573 | \$ 8,043,221 | \$ 7,915,434 |
| Construction in Progress * | 48,237,461 | 69,089,443 | 24,641,583 | 21,748,524 | 72,879,044 | 90,837,967 |
| Easements* | 432,120 | 119,790 | 845,614 | - | 1,277,734 | 119,790 |
| Buildings, Improvements, Infrastructure | 366,432,473 | 358,059,652 | 338,627,794 | 349,175,551 | 705,060,267 | 707,235,203 |
| Furniture and Fixtures | 172,195 | 483,909 | 49,931 | 58,616 | 222,126 | 542,525 |
| Vehicles | 6,589,886 | 4,427,495 | 1,751,155 | 1,693,636 | 8,341,041 | 6,121,131 |
| Tools and Equipment | 2,637,171 | 2,949,119 | 849,686 | 733,741 | 3,486,857 | 3,682,860 |
| Software | 1,902,766 | 2,448,272 | - | - | 1,902,766 | 2,448,272 |
| Total Capital Assets | \$ 432,771,933 | \$ 443,945,541 | \$ 368,441,123 | \$ 374,957,641 | \$ 801,213,056 | \$ 818,903,182 |

*as restated

The City's five-year Capital Improvement Plan reflects appropriations for construction, improvements to, or acquisition of about \$269.3 million worth of capital assets for fiscal 2011 through 2015. Funding is budgeted to come from utility revenue bonds (\$111.3 million), other sources (\$86.3 million), general obligation bonds (\$38.6 million), enterprise fund revenues (\$31.1 million), and state revolving fund loans (\$2 million) over the next five years. The most significant projects include continued upgrades to interceptor and distribution control systems, improvements to the storm sewer system, repairs to the river levee's, rehabilitation to the water treatment plant, increasing water service to the south part of Topeka, construction of various streets and trafficways, traffic signal replacements, fleet replacements for fire and police, addition of a new fire station, neighborhood improvements, and shelter house renovations.

Debt

At December 31, 2010, the City's total outstanding bonded indebtedness was \$315,340,000. Of this amount, \$155,070,000 is general obligation debt, backed by the full faith and credit of the government. There are \$123,450,000 in revenue bonds, secured by a pledge of the revenues derived from user fees for the specific enterprise fund or funds that benefited from the bond issue. The remainder of the bonded indebtedness consists of tax increment and sales tax revenue bonds in the amount of \$36,820,000. In addition, the City is obligated for \$84,946,896 of Kansas State Revolving Loan Program loans, which are secured solely by specified revenue sources from the Combined Utility Fund. The City is also responsible for \$27,565,000 in general obligation temporary notes, issued to fund construction in progress for both governmental and business-type capital projects, in the amount of \$24,615,000 and \$2,950,000 respectively.

Moody's Investors Service has assigned the City's general obligation bonds ratings of "Aa3" and "A2" for the revenue bonds upon their issuance. The City's stable service area, satisfactory compliance with legal covenants of outstanding debt issues, and satisfactory debt service coverage levels have kept the City's revenue bonds in the "A" category. The City's utility revenue bonds are subordinate to the lien of the State Revolving Fund loans.

At the time of issuance, various series of bonds were insured by either Financial Guaranty Insurance Company ("FGIC") or XL Capital Assurance, Inc. ("XLCA") and were assigned ratings by Moody's Investors Service, Inc. ("Moody's"). In 2008, Moody's downgraded both FGIC and

XLCA below Aaa in correspondence with Moody's financial strength and financial enhancement ratings of FGIC and XLCA.

In November, 2008, Moody's also downgraded the credit ratings of Financial Security Assurance, Inc. ("FSA") to "Aa3", and MBIA, Inc. to "Baa1". FSA and MBIA, Inc. are bond insurers for various City revenue bond issues.

All material event notices were registered with Municipal Securities Rulemaking Board using Electronic Municipal Market Access (EMMA) dataport, who then disseminates the information to the Nationally Recognized Municipal Securities Information Repositories.

Additional information on the City of Topeka's long-term debt can be found in *Note III, Section F* of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The average unemployment rate for the City of Topeka in 2010 was 7.1%, which is an increase from the rate of 6.7% in 2009. This is a little above the state's unemployment rate of 7.0%, but favorable to the national average rate of 9.6%. These and other factors were considered in preparing the City of Topeka's budget for the 2011 fiscal year.

During 2010, the unreserved fund balance in the general fund came in at \$10,004,985. The City anticipated an unreserved fund balance of \$6,599,111, when it adopted its 2011 operating budget. The change in accounting for sales tax revenues and compensated absences for sick time were not known when adopting the 2011 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Topeka's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report, or requests for additional financial information, should be addressed to the City's Financial Services Department, City of Topeka, 215 SE 7th Street, Room 358, Topeka, Kansas 66603-3914.

City of Topeka, Kansas
Statement of Net Assets
December 31, 2010

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Totals |
| Assets | | | |
| Cash and cash equivalents | \$ 48,748,040 | \$ 16,473,546 | \$ 65,221,586 |
| Receivables (net of allowance for uncollectibles) | 67,010,844 | 10,231,389 | 77,242,233 |
| Internal balances | (177,955) | 177,955 | - |
| Due from other governments | 648,915 | - | 648,915 |
| Deposits held by others | 1,348,010 | - | 1,348,010 |
| Inventory | 168,818 | 1,455,227 | 1,624,045 |
| Prepaid Costs | 420,815 | 321,917 | 742,732 |
| Restricted assets: | | | |
| Cash and equity in Treasurer's Fund | 5,377,368 | 29,236,390 | 34,613,758 |
| Other restricted assets | - | 9,223,668 | 9,223,668 |
| Capital assets: | | | |
| Land and infrastructure | 55,037,442 | 27,162,557 | 82,199,999 |
| Depreciable buildings, property, and equipment, net of depreciation | 377,734,491 | 341,278,566 | 719,013,057 |
| Other assets | 7,201 | - | 7,201 |
| Unamortized bond costs | 1,396,290 | 1,690,918 | 3,087,208 |
| Total assets | 557,720,279 | 437,252,133 | 994,972,412 |
| Liabilities and net assets | | | |
| Liabilities: | | | |
| Accounts payable and other current liabilities | 3,655,028 | 1,157,817 | 4,812,845 |
| Salaries & wages payable | 1,208,988 | 194,969 | 1,403,957 |
| Accrued interest payable | 3,203,139 | 687,471 | 3,890,610 |
| Due to other governments | 606 | 477,098 | 477,704 |
| Due to others | 2,267,432 | - | 2,267,432 |
| Temporary notes payable | 24,615,000 | 2,950,000 | 27,565,000 |
| Liabilities payable from restricted assets | - | 3,053,258 | 3,053,258 |
| Unearned revenue | 36,957,319 | 1,458,881 | 38,416,200 |
| Non-current liabilities: | | | |
| Due within one year | 15,718,780 | 7,434,046 | 23,152,826 |
| Due within one year, payable from restricted assets | - | 2,419,186 | 2,419,186 |
| Due in more than one year | 181,558,112 | 213,385,024 | 394,943,136 |
| Estimated insurance claims | 3,159,845 | - | 3,159,845 |
| Other | - | 308,000 | 308,000 |
| Total Liabilities | 272,344,249 | 233,525,750 | 505,869,999 |
| Net assets | | | |
| Invested in capital assets, net of related debt | 224,786,079 | 144,341,063 | 369,127,142 |
| Restricted for debt service | 9,561,850 | 5,374,838 | 14,936,688 |
| Restricted for capital projects | - | 13,662,901 | 13,662,901 |
| Restricted for deposits | - | 672,920 | 672,920 |
| Restricted for sinking funds | - | 3,448,714 | 3,448,714 |
| Restricted for general government | 5,801,596 | - | 5,801,596 |
| Restricted for public safety | 2,236,780 | - | 2,236,780 |
| Restricted for public works | 14,983,868 | - | 14,983,868 |
| Restricted for other purposes | 1,010,133 | - | 1,010,133 |
| Unrestricted | 26,995,724 | 36,225,947 | 63,221,671 |
| Total net assets | \$ 285,376,030 | \$ 203,726,383 | \$ 489,102,413 |

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

City of Topeka, Kansas
Statement of Activities
For the Year Ended December 31, 2010

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|-------------------------|-------------------------|--|--|--|-----------------------------|-------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ (15,778,573) | \$ 7,172,882 | \$ 48,873 | \$ - | \$ (8,556,818) | \$ - | \$ (8,556,818) |
| Public Safety | (52,672,902) | 504,609 | 1,941,888 | 250 | (50,226,155) | - | (50,226,155) |
| Public Works | (46,619,088) | 1,973,913 | 2,125,673 | 3,753,982 | (38,765,520) | - | (38,765,520) |
| Miscellaneous | (3,714,714) | (966) | 83,738 | - | (3,631,942) | - | (3,631,942) |
| Parks and Recreation | (12,533,312) | 3,079,792 | 5,517 | 36,522 | (9,411,481) | - | (9,411,481) |
| Public Housing | (5,360,789) | 281,504 | 5,224,128 | - | 144,843 | - | 144,843 |
| Social Services | (547,155) | - | - | - | (547,155) | - | (547,155) |
| Interest | (7,630,957) | - | - | - | (7,630,957) | - | (7,630,957) |
| Total Governmental Activities | <u>(144,857,490)</u> | <u>13,011,734</u> | <u>9,429,817</u> | <u>3,790,754</u> | <u>(118,625,185)</u> | <u>-</u> | <u>(118,625,185)</u> |
| Business-Type Activities: | | | | | | | |
| Water, Water Pollution Control, & Stormwater Utility | (56,363,844) | 59,723,501 | - | 1,048,271 | - | 4,407,928 | 4,407,928 |
| Public Parking | (3,323,677) | 3,149,394 | - | - | - | (174,283) | (174,283) |
| Total Business-Type Activities | <u>(59,687,521)</u> | <u>62,872,895</u> | <u>-</u> | <u>1,048,271</u> | <u>-</u> | <u>4,233,645</u> | <u>4,233,645</u> |
| Total Primary Government | <u>\$ (204,545,011)</u> | <u>\$ 75,884,629</u> | <u>\$ 9,429,817</u> | <u>\$ 4,839,025</u> | <u>\$ (118,625,185)</u> | <u>\$ 4,233,645</u> | <u>\$ (114,391,540)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 41,365,990 | - | 41,365,990 |
| Sales taxes | | | | | 47,878,274 | - | 47,878,274 |
| Franchise taxes | | | | | 12,090,272 | - | 12,090,272 |
| Motor fuel taxes | | | | | 5,592,181 | - | 5,592,181 |
| Service assessments | | | | | 274,485 | - | 274,485 |
| Alcoholic beverage taxes | | | | | 1,565,766 | - | 1,565,766 |
| Transient guest taxes | | | | | 1,839,049 | - | 1,839,049 |
| Unrestricted investment earnings | | | | | 375,862 | 872,900 | 1,248,762 |
| Gain on sale of capital assets | | | | | 188,930 | 43,470 | 232,400 |
| Total general revenues | | | | | <u>111,170,809</u> | <u>916,370</u> | <u>112,087,179</u> |
| Change in net assets | | | | | (7,454,376) | 5,150,015 | (2,304,361) |
| Net assets - beginning, as restated | | | | | 292,830,406 | 198,576,368 | 491,406,774 |
| Net assets - ending | | | | | <u>\$ 285,376,030</u> | <u>\$ 203,726,383</u> | <u>\$ 489,102,413</u> |

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

City of Topeka, Kansas
Balance Sheet
Governmental Funds
December 31, 2010

| | Special Revenue Funds | | | | | | | Totals 2010 |
|--|-----------------------|-------------------------|------------------------------|--------------------------------|----------------------|-----------------------------|--------------------------------|-----------------------|
| | General | Parks and Recreation | Special Street Repairs | Sales Tax Street Repairs | Debt Service Fund | Capital Projects Fund | Other Governmental Funds | |
| Assets | | | | | | | | |
| Cash and equity in Treasurer's Fund | \$ 5,336,446 | \$ - | \$ 1,692,858 | \$ 9,426,196 | \$ 4,185,722 | \$ 10,938,841 | \$ 6,951,804 | \$ 38,531,867 |
| Receivables (net of allowance for uncollectibles): | | | | | | | | |
| Accounts receivable | 2,034,254 | - | 34,648 | - | - | 335,457 | 267,492 | 2,671,851 |
| Taxes | 27,121,343 | - | 853,041 | 2,441,556 | 14,124,889 | - | 2,215,835 | 46,756,664 |
| Special Assessments with debt commitments | - | - | - | - | 17,581,461 | - | - | 17,581,461 |
| Due from other funds | 454,005 | - | - | 13,786 | 2,991 | - | - | 470,782 |
| Due from other governments | 3,991 | - | - | - | - | - | 644,924 | 648,915 |
| Deposits held by others | - | - | - | - | - | - | 1,348,010 | 1,348,010 |
| Inventory | 33,102 | - | - | - | - | - | - | 33,102 |
| Prepaid costs | 18,701 | - | - | - | - | - | - | 18,701 |
| Restricted assets: | | | | | | | | |
| Cash and equity in Treasurer's Fund | - | - | - | - | 5,363,961 | 13,407 | - | 5,377,368 |
| Other assets | 698 | - | - | - | - | - | - | 698 |
| Total assets | \$ 35,002,540 | \$ - | \$ 2,580,547 | \$ 11,881,538 | \$ 41,259,024 | \$ 11,287,705 | \$ 11,428,065 | \$ 113,439,419 |
| Liabilities and fund balances | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts and contracts payable | \$ 1,205,480 | \$ - | \$ 8,629 | \$ 755,425 | \$ - | \$ 1,381,645 | \$ 79,763 | \$ 3,430,942 |
| Salaries & wages payable | 1,109,721 | - | 60,515 | 1,658 | - | - | (11) | 1,171,883 |
| Accrued interest | - | - | - | - | - | 127,178 | - | 127,178 |
| Due to other funds | 311,682 | - | - | - | - | - | 84,128 | 395,810 |
| Due to other governments | 606 | - | - | - | - | - | - | 606 |
| Due to others | 25,753 | - | - | - | - | - | 2,241,679 | 2,267,432 |
| Temporary notes payable | - | - | - | - | - | 24,615,000 | - | 24,615,000 |
| Deferred revenue | 21,434,229 | - | - | - | 31,697,174 | 4,264 | 2,109,634 | 55,245,301 |
| Total liabilities | 24,087,471 | - | 69,144 | 757,083 | 31,697,174 | 26,128,087 | 4,515,193 | 87,254,152 |
| Fund Balances (deficit) | | | | | | | | |
| Reserved for: | | | | | | | | |
| Prepays and inventories | 51,803 | - | - | - | - | - | - | 51,803 |
| Encumbrances | 858,281 | - | 965,078 | 5,612,204 | - | - | 850,468 | 8,286,031 |
| Debt service | - | - | - | - | 9,561,850 | - | - | 9,561,850 |
| Unreserved, reported in: | | | | | | | | |
| General Fund | 10,004,985 | - | - | - | - | - | - | 10,004,985 |
| Special Revenue Funds | - | - | 1,546,325 | 5,512,251 | - | - | 6,062,404 | 13,120,980 |
| Capital Projects Funds | - | - | - | - | - | (14,840,382) | - | (14,840,382) |
| Total fund balances (deficit) | 10,915,069 | - | 2,511,403 | 11,124,455 | 9,561,850 | (14,840,382) | 6,912,872 | 26,185,267 |
| Total liabilities and fund balances | \$ 35,002,540 | \$ - | \$ 2,580,547 | \$ 11,881,538 | \$ 41,259,024 | \$ 11,287,705 | \$ 11,428,065 | \$ 113,439,419 |

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

City of Topeka, Kansas
Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Assets
December 31, 2010

| | |
|--|----------------|
| Fund balances of governmental funds | \$ 26,185,267 |
| <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund statements. The assets of the internal service funds are excluded from this amount of \$2,135,166 and included in the internal service fund note amount.</p> | 430,636,767 |
| <p>Long-term liabilities for items such as bonds and certificates of participation are not current obligations and, therefore, not recorded in the governmental fund statements (excluding \$2,240,845 in self insurance claims and \$2,737,278 in capital lease obligations, accrued compensated absences, and other post employment benefit obligations which are included in total charges for internal service funds).</p> | (180,819,647) |
| <p>Certain revenues are not available to pay for current period expenditures and therefore are deferred in the governmental funds.</p> | 18,287,982 |
| <p>Unamortized bond issuance costs are capitalized in the government-wide financial statements but do not represent assets available for current obligations and therefore are not reported in the governmental fund statements.</p> | 1,396,290 |
| <p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. A portion of the fund balance is allocated to business type activities in the amount of \$265,801.</p> | 7,404,299 |
| <p>Liabilities for interest on long-term debt and compensated absences are recognized only when due in the governmental fund statements but are accrued in the government-wide statements.</p> | (17,714,928) |
| <p>Net assets of governmental activities</p> | \$ 285,376,030 |

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

City of Topeka, Kansas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

| | <u>Special Revenue Funds</u> | | | | | | <u>Other Governmental Funds</u> | <u>Totals 2010</u> |
|--|------------------------------|---------------------------------|---------------------------------------|---|------------------------------|---------------------------------|---|------------------------|
| | <u>General</u> | <u>Parks and Recreation</u> | <u>Special Street Repairs</u> | <u>Sales Tax Street Repairs</u> | <u>Debt Service Fund</u> | <u>Capital Project Fund</u> | | |
| Revenues: | | | | | | | | |
| Taxes and service assessments | \$ 52,742,727 | \$ - | \$ - | \$ 13,303,994 | \$ 15,140,572 | \$ (2,399) | \$ 10,172,652 | \$ 91,357,546 |
| Special assessments with debt commitments | - | - | - | - | 1,453,409 | 370,687 | - | 1,824,096 |
| Licenses and permits | 1,255,850 | - | - | - | - | - | 36,337 | 1,292,187 |
| Franchise fees | 12,064,162 | - | - | - | - | - | - | 12,064,162 |
| Intergovernmental | 1,181,234 | - | 5,640,379 | - | - | 756,974 | 8,925,262 | 16,503,849 |
| Fees for services | 7,559,314 | - | 3,121 | - | - | - | 327,303 | 7,889,738 |
| Fines and forfeitures | 2,568,806 | - | - | - | - | - | 183,706 | 2,752,512 |
| Interest from investments | 130,614 | - | - | 47,651 | 183,000 | - | 12,137 | 373,402 |
| Miscellaneous | 1,335,712 | - | 84,745 | 20,798 | - | 580,672 | 261,426 | 2,283,353 |
| Total revenues | 78,838,419 | - | 5,728,245 | 13,372,443 | 16,776,981 | 1,705,934 | 19,918,823 | 136,340,845 |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 7,105,907 | - | - | - | - | - | 6,593,958 | 13,699,865 |
| Public safety | 50,649,172 | - | - | - | - | - | 1,276,051 | 51,925,223 |
| Public works | 9,445,314 | - | 5,379,768 | 5,638,688 | - | - | 1,825,046 | 22,288,816 |
| Miscellaneous | 3,648,515 | - | - | - | - | - | - | 3,648,515 |
| Parks and recreation | 11,189,261 | - | - | - | - | - | 13,394 | 11,202,655 |
| Housing & neighborhood development | - | - | - | - | - | - | 5,446,685 | 5,446,685 |
| Social services | - | - | - | - | - | - | 547,155 | 547,155 |
| Construction | - | - | - | - | - | 11,552,787 | - | 11,552,787 |
| Engineering and others | - | - | - | - | - | 2,155,206 | - | 2,155,206 |
| Debt service: | | | | | | | | |
| Principal retirement | - | - | - | - | 13,510,789 | - | - | 13,510,789 |
| Interest and fiscal costs | - | - | - | - | 7,799,885 | 404,807 | - | 8,204,692 |
| Total expenditures | 82,038,169 | - | 5,379,768 | 5,638,688 | 21,310,674 | 14,112,800 | 15,702,289 | 144,182,388 |
| Excess of Revenues Over (Under) expenditures | (3,199,750) | - | 348,477 | 7,733,755 | (4,533,693) | (12,406,866) | 4,216,534 | (7,841,543) |
| Other financing sources (uses): | | | | | | | | |
| Original issuance of debt | - | - | - | - | 5,805,000 | 6,220,000 | - | 12,025,000 |
| Original issuance of debt premium | - | - | - | - | 50,720 | 5,652 | - | 56,372 |
| Refunding issuance of debt | - | - | - | - | 34,830,000 | - | - | 34,830,000 |
| Refunding issuance of debt premium | - | - | - | - | 17,564 | - | - | 17,564 |
| Refunding issuance of debt discount | - | - | - | - | (50,996) | - | - | (50,996) |
| Payment for refunding bond escrow agent | - | - | - | - | (37,015,000) | - | - | (37,015,000) |
| Payment for refunding bond interest | - | - | - | - | (2,638,394) | - | - | (2,638,394) |
| Payment for refunding redemption premium | - | - | - | - | (149,950) | - | - | (149,950) |
| Transfers in | 1,371,389 | - | - | - | 6,497,364 | 5,540,000 | 75,169 | 13,483,922 |
| Transfers out | - | (172,002) | - | - | - | (3,039,727) | (10,272,193) | (13,483,922) |
| Proceeds from capital lease | 2,899,123 | - | - | - | - | - | - | 2,899,123 |
| Sale of property | 188,530 | - | - | - | - | - | 400 | 188,930 |
| Total other financing sources (uses) | 4,459,042 | (172,002) | - | - | 7,346,308 | 8,725,925 | (10,196,624) | 10,162,649 |
| Net change in fund balances | 1,259,292 | (172,002) | 348,477 | 7,733,755 | 2,812,615 | (3,680,941) | (5,980,090) | 2,321,106 |
| Fund balances - beginning of year, as restated | 9,655,777 | 172,002 | 2,162,926 | 3,390,700 | 6,749,235 | (11,159,441) | 12,892,962 | 23,864,161 |
| Fund balances - end of year | <u>\$ 10,915,069</u> | <u>\$ -</u> | <u>\$ 2,511,403</u> | <u>\$ 11,124,455</u> | <u>\$ 9,561,850</u> | <u>\$ (14,840,382)</u> | <u>\$ 6,912,872</u> | <u>\$ 26,185,267</u> |

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

City of Topeka, Kansas
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2010

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|--------------|
| Net change in fund balances - total governmental funds | \$ 2,321,106 |
|--|--------------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

| | |
|--|--------------|
| Capital outlay costs in excess of capitalization threshold | 18,514,662 |
| Depreciation | (28,817,763) |
| Disposals of capital assets | (43,108) |

| | |
|---|---------|
| Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenue in the governmental funds. | 810,000 |
|---|---------|

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | |
|--|--------------|
| Issuance of debt | (46,855,000) |
| Issuance of capital leases | (2,899,123) |
| Payment to escrow agent | 37,015,000 |
| Principal payments on long term debt | 13,607,902 |
| Amortization of bond issuance costs and deferred amounts | 3,796,074 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | |
|--|-----------|
| Change in liability for lawsuits | (419,000) |
| Change in accrued compensated absences | (526,114) |
| Change in net OPEB obligations | (610,166) |
| Change in termination benefit | (528,242) |
| Change in accrued interest | (777,391) |

| | |
|--|-------------|
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and garage charges, to individual funds. The net income of the internal service funds is reported with the governmental activities. | (2,043,213) |
|--|-------------|

| | |
|---|------------------------------|
| Change in net assets of governmental activities | <u><u>\$ (7,454,376)</u></u> |
|---|------------------------------|

The notes to financial statements are an integral part of these statements.

City of Topeka, Kansas
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended December 31, 2010

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|-----------------------|-----------------------|----------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues | | | | |
| Property tax | \$ 18,169,143 | \$ 18,169,143 | \$ 18,083,700 | \$ (85,443) |
| Auto ad volorem tax | 2,104,850 | 2,104,850 | 2,053,892 | (50,958) |
| Local retail sales tax | 28,052,000 | 28,052,000 | 26,607,992 | (1,444,008) |
| Payment in lieu of debt service | 150,000 | 150,000 | 150,000 | - |
| Payment in lieu of taxes | 5,668,325 | 5,668,325 | 5,737,809 | 69,484 |
| Licenses | 289,600 | 289,600 | 400,676 | 111,076 |
| Permits | 1,112,600 | 1,112,600 | 855,174 | (257,426) |
| Franchise fees | 12,798,500 | 12,798,500 | 12,064,162 | (734,338) |
| Intergovernmental | 1,497,170 | 1,497,170 | 1,181,234 | (315,936) |
| Fees for services | 7,773,125 | 7,773,125 | 7,559,314 | (213,811) |
| Municipal court | 2,285,300 | 2,285,300 | 2,568,806 | 283,506 |
| Service assessments | 100,000 | 100,000 | 109,334 | 9,334 |
| Interest | 375,000 | 375,000 | 130,614 | (244,386) |
| Miscellaneous | 1,286,000 | 1,286,000 | 1,335,712 | 49,712 |
| Total revenues | 81,661,613 | 81,661,613 | 78,838,419 | (2,823,194) |
| Expenditures | | | | |
| General government: | | | | |
| City Council | 285,427 | 285,427 | 266,953 | 18,474 |
| Executive | 1,202,867 | 1,202,867 | 950,864 | 252,003 |
| Legal Services | 1,432,351 | 1,432,351 | 1,474,922 | (42,571) |
| Administrative and Financial Services | 1,800,487 | 1,800,487 | 1,881,883 | (81,396) |
| Municipal Court | 1,821,404 | 1,821,404 | 1,583,041 | 238,363 |
| Human Resources | 835,285 | 835,285 | 749,726 | 85,559 |
| Human Relations Commission | 213,850 | 213,850 | 132,684 | 81,166 |
| Misc Non-Departmental & Contributions | 10,435,702 | 10,435,702 | 3,560,308 | 6,875,394 |
| Public Safety: | | | | |
| Fire | 19,848,890 | 19,848,890 | 19,354,392 | 494,498 |
| Police | 28,331,221 | 28,331,221 | 28,185,645 | 145,576 |
| Public Works: | | | | |
| Administration | 787,411 | 787,411 | 649,699 | 137,712 |
| Development Services | 1,488,810 | 1,488,810 | 1,281,892 | 206,918 |
| Engineering | 2,905,475 | 2,905,475 | 2,324,790 | 580,685 |
| Transportation Operations | 2,907,592 | 2,907,592 | 2,627,527 | 280,065 |
| Facility Operations | 1,778,748 | 1,778,748 | 1,762,416 | 16,332 |
| Planning | 918,416 | 918,416 | 860,660 | 57,756 |
| Parks and Recreation: | | | | |
| Administration | 1,989,988 | 1,989,988 | 2,040,547 | (50,559) |
| Grounds and Horticulture | 2,240,759 | 2,240,759 | 1,698,565 | 542,194 |
| Recreational Activities | 5,027,928 | 5,027,928 | 4,682,085 | 345,843 |
| Facility Operations | 630,088 | 630,088 | 480,484 | 149,604 |
| Zoo | 2,373,780 | 2,373,780 | 2,267,782 | 105,998 |
| Total expenditures | 89,256,479 | 89,256,479 | 78,816,865 | 10,439,614 |
| Excess of Revenues Over (Under) Expenditures | (7,594,866) | (7,594,866) | 21,554 | 7,616,420 |
| Other financing sources (uses) | | | | |
| Transfers in | 1,516,755 | 1,516,755 | 1,371,389 | (145,366) |
| Sale of property | 70,000 | 70,000 | 188,530 | 118,530 |
| Total other financing sources (uses) | 1,586,755 | 1,586,755 | 1,559,919 | (26,836) |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | \$ (6,008,111) | \$ (6,008,111) | 1,581,473 | \$ 7,589,584 |
| Beginning fund balance, as restated | | | 8,475,315 | |
| Fund balance - end of year - budget basis | | | 10,056,788 | |
| Adjustments: | | | | |
| Encumbrances | | | 858,281 | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 10,915,069</u> | |
| Net change in fund balance - budget basis | | | \$ 1,581,473 | |
| Adjustments: | | | | |
| Encumbrances - beginning of year | | | (1,180,462) | |
| Encumbrances - end of year | | | 858,281 | |
| Net change in fund balance - GAAP basis | | | <u>\$ 1,259,292</u> | |

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

City of Topeka, Kansas
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Parks and Recreation Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Total revenues | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | - | - | - | - |
| Excess of Revenues Over (Under) Expenditures | - | - | - | - |
| Other financing sources (uses) | | | | |
| Transfers out | (571,478) | (571,478) | (172,002) | 399,476 |
| Total other financing sources | (571,478) | (571,478) | (172,002) | 399,476 |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (571,478)</u> | <u>\$ (571,478)</u> | (172,002) | <u>\$ 399,476</u> |
| Beginning fund balance | | | <u>172,002</u> | |
| Fund balance - end of year - budget basis | | | - | |
| Adjustments: | | | | |
| Encumbrances | | | - | |
| Fund balance - end of year - GAAP basis | | | <u>\$ -</u> | |

The notes to the financial statements are an integral part of these statements.
This fund was closed into the General Fund

City of Topeka, Kansas
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Street Repairs Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental revenue | \$ 5,603,514 | \$ 5,603,514 | \$ 5,640,379 | \$ 36,865 |
| Fees for service | - | - | 3,121 | 3,121 |
| Miscellaneous | 136,356 | 136,356 | 84,745 | (51,611) |
| Total revenues | <u>5,739,870</u> | <u>5,739,870</u> | <u>5,728,245</u> | <u>(11,625)</u> |
| Expenditures | | | | |
| Public Works: | | | | |
| Administration | 1,733,001 | 1,733,001 | 1,588,886 | 144,115 |
| Street Maintenance | 4,100,214 | 4,100,214 | 3,829,208 | 271,006 |
| Total expenditures | <u>5,833,215</u> | <u>5,833,215</u> | <u>5,418,094</u> | <u>415,121</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(93,345)</u> | <u>(93,345)</u> | <u>310,151</u> | <u>403,496</u> |
| Other financing sources (uses) | | | | |
| Sale of property | 110,840 | 110,840 | - | (110,840) |
| Total other financing sources | <u>110,840</u> | <u>110,840</u> | <u>-</u> | <u>(110,840)</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ 17,495</u> | <u>\$ 17,495</u> | <u>310,151</u> | <u>\$ 292,656</u> |
| Beginning fund balance | | | <u>1,236,174</u> | |
| Fund balance - end of year - budget basis | | | 1,546,325 | |
| Adjustments: | | | | |
| Encumbrances | | | <u>965,078</u> | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 2,511,403</u> | |
| Net change in fund balance - budget basis | | | \$ 310,151 | |
| Adjustments: | | | | |
| Encumbrances - beginning of year | | | (926,752) | |
| Encumbrances - end of year | | | <u>965,078</u> | |
| Net change in fund balance - GAAP basis | | | <u>\$ 348,477</u> | |

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

City of Topeka, Kansas
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Sales Tax - Street Repairs Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-----------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes & assessments | \$ 13,956,000 | \$ 13,956,000 | \$ 13,303,994 | \$ (652,006) |
| Interest on investments | - | - | 20,798 | 20,798 |
| Miscellaneous | - | - | 47,651 | 47,651 |
| Total revenues | <u>13,956,000</u> | <u>13,956,000</u> | <u>13,372,443</u> | <u>(583,557)</u> |
| Expenditures | | | | |
| Public Works | 15,056,000 | 15,056,000 | 11,250,892 | 3,805,108 |
| Total expenditures | <u>15,056,000</u> | <u>15,056,000</u> | <u>11,250,892</u> | <u>3,805,108</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(1,100,000)</u> | <u>(1,100,000)</u> | <u>2,121,551</u> | <u>3,221,551</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (1,100,000)</u> | <u>\$ (1,100,000)</u> | 2,121,551 | <u>\$ 3,221,551</u> |
| Beginning fund balance, as restated | | | <u>3,390,700</u> | |
| Fund balance - end of year - budget basis | | | 5,512,251 | |
| Adjustments: | | | | |
| Encumbrances | | | <u>5,612,204</u> | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 11,124,455</u> | |
| Net change in fund balance - budget basis | | | \$ 2,121,551 | |
| Adjustments: | | | | |
| Encumbrances - beginning of year | | | - | |
| Encumbrances - end of year | | | <u>5,612,204</u> | |
| Net change in fund balance - GAAP basis | | | <u>\$ 7,733,755</u> | |

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

City of Topeka, Kansas
Statement of Net Assets
Proprietary Funds
December 31, 2010

| | Enterprise Funds | | | Internal Service Funds |
|---|---|---------------------------------|--------------------|------------------------------|
| | Water, Stormwater & Water Pollution Control Utility | Nonmajor Enterprise Funds | Total | |
| Assets | | | | |
| Current assets: | | | | |
| Cash and equity in Treasurer's Fund | \$ 15,063,359 | \$ 1,410,187 | \$ 16,473,546 | \$ 10,216,173 |
| Accounts receivable | 10,184,327 | 47,062 | 10,231,389 | 868 |
| Due from other funds | 233,573 | 1,770 | 235,343 | 12,874 |
| Inventory | 1,455,227 | - | 1,455,227 | 135,716 |
| Prepays | 318,143 | 3,774 | 321,917 | 402,114 |
| Restricted cash and cash equivalents: | | | | |
| Cash and equity in Treasurer's Fund | 28,916,403 | 319,987 | 29,236,390 | - |
| Restricted other | 9,223,668 | - | 9,223,668 | - |
| Total current assets | 65,394,700 | 1,782,780 | 67,177,480 | 10,767,745 |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Not being depreciated | 26,086,332 | 1,076,225 | 27,162,557 | - |
| Being depreciated, net of depreciation | 323,271,183 | 18,007,383 | 341,278,566 | 2,135,166 |
| Other assets | - | - | - | 6,503 |
| Unamortized bond issue costs | 1,490,914 | 200,004 | 1,690,918 | - |
| Total noncurrent assets | 350,848,429 | 19,283,612 | 370,132,041 | 2,141,669 |
| Total assets | 416,243,129 | 21,066,392 | 437,309,521 | 12,909,414 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 1,123,276 | 34,541 | 1,157,817 | 224,086 |
| Accrued payroll and benefits | 181,853 | 13,116 | 194,969 | 37,105 |
| Accrued interest | 687,471 | - | 687,471 | - |
| Due to other funds | - | 323,189 | 323,189 | - |
| Due to other governments | 477,098 | - | 477,098 | - |
| Current portion of State revolving loan | 7,267,758 | - | 7,267,758 | - |
| Temporary notes payable | 2,950,000 | - | 2,950,000 | - |
| Leases payable | - | - | - | 702,897 |
| Self insurance claims | - | - | - | 2,240,845 |
| Current liabilities (payable from restricted assets): | | | | |
| Bonds payable, current | 2,105,000 | 314,186 | 2,419,186 | - |
| Accrued interest | 2,241,027 | - | 2,241,027 | - |
| Deposits | 812,231 | - | 812,231 | - |
| Compensated absences | 156,094 | 10,194 | 166,288 | 43,996 |
| Total current liabilities: | 18,001,808 | 695,226 | 18,697,034 | 3,248,929 |
| Noncurrent liabilities: | | | | |
| Unearned revenue | 1,458,881 | - | 1,458,881 | - |
| Revenue bonds payable | 121,345,000 | - | 121,345,000 | - |
| Premium (loss) on redemption of bonds | (439,169) | - | (439,169) | - |
| Discount on issuance of bonds | (351,008) | - | (351,008) | - |
| Premium on issuance of bonds | 2,117,914 | - | 2,117,914 | - |
| Deferred Loss on Bond Redemption/Amortized | (481,017) | - | (481,017) | - |
| State revolving loan payable | 77,679,136 | - | 77,679,136 | - |
| General obligation bonds payable | - | 12,480,917 | 12,480,917 | - |
| Discount on issuance of bonds | - | (19,473) | (19,473) | - |
| Premium on issuance of bonds | - | 211,449 | 211,449 | - |
| Leases payable | - | - | - | 1,854,813 |
| Compensated absences and other benefits | 794,280 | 46,995 | 841,275 | 135,572 |
| Other | 308,000 | - | 308,000 | - |
| Total noncurrent liabilities | 202,432,017 | 12,719,888 | 215,151,905 | 1,990,385 |
| Total liabilities | 220,433,825 | 13,415,114 | 233,848,939 | 5,239,314 |
| Net assets (deficit) | | | | |
| Invested in capital assets, net of related debt | 138,244,535 | 6,096,528 | 144,341,063 | (416,041) |
| Restricted for debt service | 5,374,838 | - | 5,374,838 | - |
| Restricted for capital projects | 13,642,901 | 20,000 | 13,662,901 | - |
| Restricted for deposits | 672,920 | - | 672,920 | - |
| Restricted for sinking funds | 3,148,727 | 299,987 | 3,448,714 | - |
| Unrestricted | 34,725,383 | 1,234,763 | 35,960,146 | 8,086,141 |
| Total net assets | \$ 195,809,304 | \$ 7,651,278 | 203,460,582 | \$ 7,670,100 |

Adjustment to reflect the consolidation of internal service fund
activities related to enterprise funds. 265,801

Total net assets \$ 203,726,383

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

City of Topeka, Kansas
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2010

| | Water, Stormwater & Water Pollution Control Utility | Nonmajor Enterprise Funds | Total | Internal Service Funds |
|---|---|---------------------------------|--------------------|------------------------------|
| Operating revenues: | | | | |
| Charges for services | \$ 58,810,112 | \$ 2,900,271 | \$ 61,710,383 | \$ 15,922,089 |
| Other | 1,961,660 | 249,123 | 2,210,783 | 233,887 |
| Total operating revenues | <u>60,771,772</u> | <u>3,149,394</u> | <u>63,921,166</u> | <u>16,155,976</u> |
| Operating expenses: | | | | |
| Personnel services | 11,454,335 | 750,477 | 12,204,812 | 2,238,358 |
| Contractual services | 13,083,886 | 735,043 | 13,818,929 | 4,577,401 |
| Supplies | 5,328,387 | 44,352 | 5,372,739 | 141,489 |
| Depreciation and amortization | 11,813,552 | 839,566 | 12,653,118 | 834,136 |
| Bad debt | 696,628 | 640 | 697,268 | - |
| Insurance claims | 17,480 | - | 17,480 | 10,944,520 |
| Other expenses | (316) | - | (316) | (357) |
| Payments in lieu of taxes | 5,245,000 | 384,991 | 5,629,991 | - |
| Total operating expenses | <u>47,638,952</u> | <u>2,755,069</u> | <u>50,394,021</u> | <u>18,735,547</u> |
| Operating income (loss) | <u>13,132,820</u> | <u>394,325</u> | <u>13,527,145</u> | <u>(2,579,571)</u> |
| Nonoperating revenues (expenses): | | | | |
| Franchise fees | - | - | - | 26,110 |
| Interest income | 860,925 | 11,975 | 872,900 | 32,330 |
| Interest (expense) | (7,932,917) | (531,510) | (8,464,427) | (84,355) |
| Gain (Loss) on sale of capital assets | (12,455) | 55,925 | 43,470 | - |
| Other income (expenses) | (265,546) | (523) | (266,069) | (731) |
| Total nonoperating revenues (expenses) | <u>(7,349,993)</u> | <u>(464,133)</u> | <u>(7,814,126)</u> | <u>(26,646)</u> |
| Change in net assets | 5,782,827 | (69,808) | 5,713,019 | (2,606,217) |
| Net assets-beginning of year, as restated | 190,026,477 | 7,721,086 | 197,747,563 | 10,276,317 |
| Net assets-end of year | <u>\$ 195,809,304</u> | <u>\$ 7,651,278</u> | <u>203,460,582</u> | <u>\$ 7,670,100</u> |

| | |
|---|---------------------|
| Change in net assets, enterprise funds | 5,713,019 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | <u>(563,004)</u> |
| Change in net assets | <u>\$ 5,150,015</u> |

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

City of Topeka, Kansas
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

| | Business-Type Activities | | | Governmental |
|--|---|---------------------------------------|----------------------|---------------------------------------|
| | Enterprise Funds | | | Activities |
| | Water, Water Pollution Control, and Stormwater Utility | Other Enterprise Funds | Totals | Internal Service Funds |
| Cash flows from operating activities | | | | |
| Receipts from customers and users | \$ 60,950,794 | \$ 3,017,229 | \$ 63,968,023 | \$ 15,602,573 |
| Payments to suppliers | (22,733,081) | (1,159,683) | (23,892,764) | (15,250,206) |
| Payments to employees | (11,618,664) | (756,282) | (12,374,946) | (2,243,659) |
| Other | (979,338) | (1,163) | (980,501) | 25,736 |
| Net cash provided (used) by operating activities | <u>25,619,711</u> | <u>1,100,101</u> | <u>26,719,812</u> | <u>(1,865,556)</u> |
| Cash flows from capital and related financing activities | | | | |
| Payment on capital debt | (2,050,000) | (294,211) | (2,344,211) | - |
| Proceeds from capital debt | 10,225,000 | - | 10,225,000 | - |
| Amortization of bond discount | (122,402) | 521 | (121,881) | - |
| Deposit with fiscal agent | (139,957) | - | (139,957) | - |
| Amortization of bond issuance cost | - | 99,861 | 99,861 | - |
| Amortization of general obligation bond premium | - | (10,232) | (10,232) | - |
| Payment of state revolving loan | (6,874,582) | - | (6,874,582) | - |
| Proceeds from state revolving loan | 2,201,803 | - | 2,201,803 | - |
| Proceeds from temporary notes | (1,868,861) | - | (1,868,861) | - |
| Payment of capital lease | - | - | - | (706,905) |
| Purchases of capital assets | - | - | - | (6,736) |
| Acquisition and construction of capital assets | (6,071,994) | (64,606) | (6,136,600) | - |
| Interest paid on capital debt | (7,932,917) | (531,510) | (8,464,427) | (84,355) |
| Proceeds from sales of capital assets | (12,455) | 55,925 | 43,470 | - |
| Net cash provided (used) by capital and related financing activities | <u>(12,646,365)</u> | <u>(744,252)</u> | <u>(13,390,617)</u> | <u>(797,996)</u> |
| Cash flows from investing activities | | | | |
| Interest and dividends received | 860,925 | 11,975 | 872,900 | 32,330 |
| Net cash provided by investing activities | <u>860,925</u> | <u>11,975</u> | <u>872,900</u> | <u>32,330</u> |
| Net increase (decrease) in cash and cash equivalents | 13,834,271 | 221,716 | 14,055,987 | (2,631,222) |
| Cash and cash equivalents, January 1 | 30,145,491 | 1,508,458 | 31,653,949 | 12,847,395 |
| Cash and cash equivalents, December 31 | <u>\$ 43,979,762</u> | <u>\$ 1,730,174</u> | <u>\$ 45,709,936</u> | <u>\$ 10,216,173</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ 13,132,820 | \$ 394,325 | \$ 13,527,145 | \$ (2,579,571) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | | | |
| Other | - | - | - | 25,379 |
| Depreciation expense | 11,813,552 | 839,566 | 12,653,118 | 834,136 |
| Other non operating income | (265,546) | (523) | (266,069) | - |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | (885,363) | (130,468) | (1,015,831) | 50,613 |
| Intergovernmental receivables | - | (1,697) | (1,697) | 434 |
| Due from other funds | (42,608) | - | (42,608) | (12,407) |
| Inventories | 463,264 | - | 463,264 | (46,471) |
| Prepaid items | 60,015 | - | 60,015 | 177,958 |
| Customer deposits | 38,499 | - | 38,499 | - |
| Accounts payable | (126,575) | 4,703 | (121,872) | (14,124) |
| Accrued liabilities | (62,560) | (5,805) | (68,365) | 290,540 |
| Due to other funds | (240) | - | (240) | - |
| Due to other governments | 425,959 | - | 425,959 | - |
| Deferred revenue | 1,068,494 | - | 1,068,494 | (592,043) |
| Total adjustments | <u>12,486,891</u> | <u>705,776</u> | <u>13,192,667</u> | <u>714,015</u> |
| Net cash provided by operating activities | <u>\$ 25,619,711</u> | <u>\$ 1,100,101</u> | <u>\$ 26,719,812</u> | <u>\$ (1,865,556)</u> |

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

City of Topeka, Kansas
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2010

| | Totals |
|-------------------------------------|-------------------|
| | 2010 |
| Assets | |
| Cash and equity in Treasurer's Fund | \$ 455,412 |
| Accounts receivable | 1,081 |
| | <hr/> |
| Total Assets | \$ 456,493 |
| | <hr/> <hr/> |
| Liabilities | |
| Due to other governments | \$ 35,102 |
| Due to others | 421,391 |
| | <hr/> |
| Total Liabilities | \$ 456,493 |
| | <hr/> <hr/> |

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

City of Topeka, Kansas
Notes to the Financial Statements
December 31, 2010

I. Summary of significant accounting policies

A. Reporting entity

The City of Topeka is a municipal corporation governed by a Mayor and nine Council members all elected on a non-partisan basis. The City at large elects the Mayor, and the nine Council members are elected by district. The accompanying financial statements present the financial position of the City at December 31, 2010. In evaluating the City's financial reporting entity, management has considered all potential component units and has determined there are no material component units over which the City is financially accountable. The City evaluated the financial reporting of the Joint Economic Development Organization (JEDO) and determined that JEDO should not be reported as a discretely presented component unit. See Note IV, Section C. for further information. Financial accountability is based primarily on non-operational or financial relationships with the City (as distinct from legal relationships). These financial statements include all accounts for which the City is considered to be financially accountable.

The accounting and reporting policies of the City of Topeka, Kansas, relating to the funds included in the accompanying financial statements, conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), and by the Financial Accounting Standards Board, when applicable. Certain significant accounting policies of the City are described below.

B. Government-wide and fund financial statements

The government-wide financial statements (*i.e.*, the *Statement of Net Assets* and the *Statement of Activities*) report information on all of the non-fiduciary activities of the City of Topeka. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The *primary government* is reported separately from its legally separate *component unit*, for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or program. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. While agency funds do not have a measurement focus and will only report assets and liabilities, agency funds do use the accrual basis of accounting. The operating statements present increases (*e.g.*, revenues) and decreases (*e.g.*, expenses) in net total assets. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the

City of Topeka, Kansas
Notes to the Financial Statements
December 31, 2010

timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are sales taxes, franchise taxes, special assessments, investment earnings, and certain Federal and State grants and entitlements. Licenses, permits, fees for services, fines, and parking meter revenues are not susceptible to accrual, because generally they are not measurable until received in cash. While property taxes and special assessments are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year-end, because statutory provisions prohibit their use until the year for which they were levied and budgeted. Instead, they are offset by unearned revenue accounts.

The City of Topeka reports the following major governmental funds:

The *general fund* is the main operating fund of the City. This fund is used to account for all financial resources of the City, except those required to be accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the general fund. Activities previously reported in the Parks and Recreation, Zoo and Unsafe Structure funds are reported in the General Fund for 2010. Their beginning fund balances were transferred to the General Fund.

The *parks and recreation fund's* activities are reported in the General fund beginning in 2010. The beginning fund balance was transferred into the General Fund.

The *special street repairs fund* accounts for resources and expenditures for repair, minor reconstruction, alteration, and maintenance - including snow removal and sweeping - of all streets and thoroughfares.

The *sales tax street repairs fund* provides funding for costs of maintenance and improvements to existing City streets, curbs, gutters, sidewalks, alleys and street lighting.

The *debt service fund* is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the debt service fund is reserved, to signify that amounts are restricted exclusively for debt service expenditures.

The *capital projects fund* is used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The City of Topeka reports the following major proprietary funds:

The combined *water, stormwater, and water pollution control utility fund* provides accountability for all phases of operation and maintenance of the City's public water supply, water pollution control functions (*i.e.*, wastewater treatment), and stormwater utility systems.

The City reports the following types of non-major governmental funds:

City of Topeka, Kansas
Notes to the Financial Statements
December 31, 2010

Special revenue funds are used to account for the proceeds of specific revenue resources that are legally restricted to expenditure for specified purposes.

Capital project funds are used to account for the acquisition or construction of major capital assets, other than those financed by the proprietary funds, which are expected to be financed from borrowing or contributions.

The City of Topeka reports the following types of non-major proprietary funds:

Enterprise funds are used for activities which are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal service funds are used to report any activity that provides goods or services to other funds, departments, or agencies of the City, or to other governments, on a cost-reimbursement basis. The City's internal service funds include *information technology, fleet services, and risk management*. The statements for the internal service funds can be found in the *Other Fund Statements and Schedules* section.

Additionally, the City reports the following fund type:

Fiduciary funds are used to account for resources that are held by the government as a trustee or as an agent for parties outside the government and that cannot be used to support the City's own programs. The City of Topeka has no fiduciary trust funds, but maintains eight fiduciary agency funds. Agency funds are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations. The City's agency funds consist of state mandated collections through the Municipal Court and payroll taxes and deductions. A more detailed list of these funds and their purposes can be found in the *Other Fund Financial Statements and Schedules* section.

Private-sector standards of accounting and financial reporting issued before December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements, to the extent that those standards do not conflict with or contradict the guidance of the Governmental Accounting Standards Board. Governments have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected *not* to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, where the amounts are reasonably equivalent in value to the interfund services provided, and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative

City of Topeka, Kansas
Notes to the Financial Statements
December 31, 2010

expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City of Topeka considers *cash and cash equivalents* to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition.

The City's Financial Services Department, Cash Management Division, maintains and administers a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is included on the combined balance sheet or statement of net assets as *Cash and equity in treasurer's fund*.

Kansas statutes authorize the City, with certain restrictions, to deposit or invest directly in temporary notes, no-fund warrants, open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury bills and notes, and the State's Municipal Investment Pool (MIP). The MIP operates in accordance with applicable State laws and regulations. The reported value of the City's investment in the MIP is the same as the fair value of its pool shares. Other investments of the City are also reported at fair value.

Statutes require that collateral, which has a fair value equal to 100% of the investment (less Federally insured amounts), be assigned for the benefit of the City to secure an investment of City funds. The statutes provide for an exception for peak deposit periods during taxpaying time where, for a period of 60 days, the amount of required collateral may be reduced by one-half.

2. Receivables and payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property taxes are levied November 1 on property values assessed at the previous January 1, as certified by the County Appraiser on June 15 of each year. The tax levy can be paid by property owners in two installment payments. The first half is due on December 20 of the year levied, and the second half is due on the following May 10. The payment is considered past due on the day after the due date.

3. Inventories and prepaid items

Inventories are valued at cost, which approximates market value, using the first in, first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

In both government-wide and fund financial statements, payments made to vendors for goods or services that will benefit periods beyond the current fiscal year, are recorded as prepaid items when they are deemed material, and it is considered appropriate.

4. Restricted assets

Certain proceeds of governmental and business-type bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the *statement of net assets*, because their use is limited by applicable bond covenants. The "revenue bond operations and maintenance" account is used to report resources set aside to subsidize potential deficiencies from the enterprise fund's operation that could

City of Topeka, Kansas
Notes to the Financial Statements
December 31, 2010

adversely affect debt service payments. The “revenue bond reserve for replacement” account is used to report resources set aside to meet unexpected contingencies, or to fund asset renewals and replacements. These accounts are included in the *Restricted assets: Cash and equity in treasurer’s fund* account on the Combined Water, Water Pollution Control, and Stormwater Utility *statement of net assets*.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets, other than infrastructure assets, as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All such capital assets that are purchased or constructed are valued at historical cost where records are available and at an estimated historical cost where no such records exist. Donated capital assets are valued at their estimated fair value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The City reports its infrastructure assets on a network. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements..

Capital assets of proprietary funds are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of the City’s capital assets is computed using the straight-line method and the following useful life ranges:

| | | | | |
|--------------------------------|----|----|----|-------|
| Buildings and improvements | 5 | to | 50 | years |
| Furniture and office equipment | 3 | to | 20 | years |
| Motor vehicles | 3 | to | 6 | years |
| Tools and equipment | 5 | to | 20 | years |
| Infrastructure | 20 | to | 50 | years |

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed when those projects are debt financed. The amount of interest to be capitalized is calculated by netting any investment earnings from unexpended debt proceeds against the related interest expense incurred from the date of debt issuance until completion of the project.

6. Compensated absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation and sick leave balances. Under the terms of the City’s personnel policy, City employees are granted vacation and sick leave in varying amounts. After completing a probationary period, vacation is earned at a rate of .0462 to .1154 per hour for a forty hour employee, depending on the length of service. A forty hour per week employee can accumulate up to 240 hours in a year. A twenty-four hour employee, earns at a rate of .0462 to .1296 per hour and allowed to carry over 360 hours per year. All accrued vacation will be paid out upon termination of services from the City at the regular rate.

Sick leave for a forty hour employee is earned at a rate of .0462 per hour and has a maximum accrual of 1,040 hours. Sick leave for a twenty-four hour employee is earned at the same rate, but employees are allowed to carry up to 1,388 hours. Accrued sick leave will only be paid out upon an employee retiring and paid at 35% of their sick leave balance, with a maximum of 400 hours for a forty hour employee and a maximum of 520 hours for a twenty-four hour employee.

City of Topeka, Kansas
Notes to the Financial Statements
December 31, 2010

A change was made in the compensated absence liability for personal leave and compensatory time in the public safety area. It was considered to be liquidated with current resources as expressed on the fund level statements, but reevaluated and determined should be liquidated with future resources and therefore moved to the government-wide financial statements only.

7. Long-term obligations

In the government-wide financial statements and in the fund financial statements for proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the related bonds using the bonds outstanding method, which approximates the effective interest method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts received on debt issuances are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as interest and fiscal charges.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or those that are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans, which are subject to change.

In the government-wide financial statements, equity is shown as net assets and classified into three components:

Invested in capital assets, net of related debt - Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

9. Adjustments to prior period financial statements

For the year ended December 31, 2010, management determined that the following adjustments were to be made to the opening net assets and fund balances:

Certain revenue recognition adjustments related to sales taxes were required to be in conformity with GASB Statement No. 33.

Certain revenue recognition adjustments related to Municipal Court receivable amounts under the modified and full accrual basis of accounting.

Certain compensated absences related to the City’s public safety departments are expected to be paid with future resources and therefore should not be considered an obligation in the fund financial statements.

In 2010, management performed an evaluation of certain Fiduciary funds and determined that certain funds should be reported as a special revenue fund type rather than as an agency fund. These include the Alcohol

City of Topeka, Kansas
Notes to the Financial Statements
December 31, 2010

and Drug Safety, Crime Prevention, and the Police Benefit funds. The Crime Prevention and Police Benefit funds were consolidated to form the Law Enforcement Fund.

Under provisions of the City's personnel policy, employees accrued sick leave at varying amounts. Upon retirement, employees are paid 35% of their sick leave balance, not to exceed 400 hours or 520 hours based on employee classification. Previously, an obligation for accumulated sick leave had not been recorded in the City's financial statements.

The City changed its practice of allocating the internal service funds activities at the government-wide level. Accordingly, internal service fund activities will be allocated to both governmental and business-type activities.

In 2009, the City implemented the retroactive reporting requirements under GASB No. 51 relating to reporting certain intangible assets, primarily easements. As a result, non-depreciable assets increased by \$68,886,874. The value of the retroactive intangible assets recorded was overstated as the amount was determined using current values for all intangible assets identified instead using estimated values as of the date of acquisition of the asset. Accordingly, management further evaluated the reporting requirements under GASB 51 and determined not to implement the retroactive reporting option. There was also an adjustment to the beginning balance of construction in progress.

General obligation bonds were issued for an enterprise fund and the accounting of them were changed to include the cost of issuance and original issue discount.

The treatment of government-wide long-term debt was restated to properly report the cost of issuance and original issue premium or discount.

Determined that special assessments receivable should not include interest related to the assessments. This change had no effect on fund balance as these amounts are deferred on the fund statements under the modified accrual method used for governmental funds. However, on the government-wide statements special assessments should be recognized on the full accrual basis of accounting.

| | Governmental Funds | Governmental Activities | Business Type Activities | Enterprise Funds |
|---|-----------------------|----------------------------|-----------------------------|-----------------------|
| Beginning net assets/fund balance as originally reported | \$ 15,684,161 | \$ 344,663,291 | \$ 197,757,740 | \$ 197,757,740 |
| Accrued sales tax revenue - General Fund | 2,373,263 | 2,373,263 | - | - |
| Accrued sales tax revenue - Sales Tax Street Repairs | 2,246,972 | 2,246,972 | - | - |
| Accrued sales tax revenue - 1/2 % Sales Tax Fund | 1,324,147 | 1,324,147 | - | - |
| Accrued fines and forfeitures - General Fund | 302,912 | 947,653 | - | - |
| Compensated absences - compensatory time - public safety | 1,188,011 | - | - | - |
| Alcohol & Drug Safety(Agency) to special revenue fund | 54,425 | 54,425 | - | - |
| Law Enforcement (Agency) to special revenue fund | 690,270 | 690,270 | - | - |
| Compensated absences - sick time - internal service funds | - | (27,064) | - | - |
| Compensated absences - sick time | - | (3,181,959) | (135,961) | (135,961) |
| Internal service allocation to business-type activities | - | (828,805) | 828,805 | - |
| Capital Asset Adjustments | - | (2,152,743) | - | - |
| GASB 51 adjustment for easements | - | (68,886,874) | - | - |
| Amortized bond discount on Parking general obligation bonds | - | - | 19,994 | 19,994 |
| Cost of issuance on Parking general obligation bonds | - | - | 105,790 | 105,790 |
| Government-wide OIP/OID on bonds | - | (2,266,008) | - | - |
| Government-wide deferred amount on refunding | - | 1,040,597 | - | - |
| Special assessments revenue recognition | - | 16,833,241 | - | - |
| Total restatements | <u>8,180,000</u> | <u>(51,832,885)</u> | <u>818,628</u> | <u>(10,177)</u> |
| Beginning net assets/fund balance as restated | <u>\$ 23,864,161</u> | <u>\$ 292,830,406</u> | <u>\$ 198,576,368</u> | <u>\$ 197,747,563</u> |

City of Topeka, Kansas
Notes to the Financial Statements
December 31, 2010

II. Stewardship, compliance, and accountability

A. Budgetary information

Kansas state statutes require that an annual operating budget be legally adopted for all governmental fund types, unless specifically exempted by statute. The statutes provide for the following sequence and timetable in the adoption of the City's legal annual operating budget:

1. Preparation of the proposed budget for the succeeding calendar year, on or before August 1st.
2. Publication in the entity's official, local newspaper of the proposed budget and of the notice of public hearing on the budget, on or before August 5th.
3. Public hearing on or before August 15th, but no sooner than ten days after publication of the notice of hearing.
4. Adoption of the final budget and certification to the office of the relevant County Clerk, on or before August 25th.

The statutes allow the governing body to increase the originally adopted budget only for previously unanticipated increases in revenue, other than those attributed to *ad valorem* property taxes. To do this, a notice of public hearing to amend the budget must be published in the official, local newspaper. No sooner than ten days after publication, the hearing may be held, and the governing body may amend the budget at that time.

In 2010, the City had one amendment to the originally adopted budget which affected the Retirement Reserve and the Tax Increment Funds. This amendment approved by Ordinance 19490, allowed the increased expenditures from the Retirement Reserve of \$277,910, to be covered by its fund balance. The amendment also included an increase in expenditure authority of the Tax Increment Financing Fund in the amount of \$12,442. This was the amount received from the TIF district and was used to pay submitted bills connected to the Eastgate TIF district.

Under Kansas statutes, management cannot amend the budget without approval of the governing body. The level of budgetary control or expenditure limit is at the fund level, except for the General Fund, which also has established expenditure limits for each Department financed. The statutes permit transferring budgeted amounts within a General Fund department or other funds, line item by line item, to be made administratively.

Budget comparison statements and schedules are presented for each budgeted fund, showing actual revenues and expenditures compared to legally budgeted revenues and expenditures.

The City's legal, annual, operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Normally, revenues are recognized when cash is received, if not susceptible to accruals. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments, which 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. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute liabilities, because the commitments will be honored during subsequent years.

The funds with legally adopted, annual budgets consist of the General Fund, General Improvement Fund, Special Liability Fund, General Bond and Interest Fund, Special Alcohol Fund, Transient Guest Tax Fund, Retirement Reserve Fund, KP & F Equalization Fund, Neighborhood Revitalization Fund, Historic Asset Tourism Fund, Special Street Repair Fund, 1/2 % Sales Tax Fund, Sales Tax – Street Repairs, Law Enforcement Fund and Park Land Acquisition Fund, which are all Special Revenue funds. A legal annual operating budget is not required for capital projects funds (such as bridges, streets and trafficways), but each project is taken before the governing body for approval, trust funds, proprietary funds, and certain special revenue funds. The Parks and Recreation Fund, Zoo Fund, and the Unsafe Structure Fund had legally adopted budgets, but in 2010 those funds were consolidated into the General Fund. Spending in funds that

City of Topeka, Kansas
Notes to the Financial Statements
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are not subject to legal, annual, operating budget requirements is controlled by Federal regulations, other statutes, Council approved budgets or by the use of internal spending limits established by the governing body.

B. Excess of expenditures over appropriations

The Law Enforcement Fund had excess expenditures over appropriations in 2010 by \$803. This was due to having a large amount of encumbrances at year end.

The Unsafe Structure Fund was over budget by \$55,423. The fund balance that was transferred to the General Fund was greater than expected.

The Retirement Reserve Fund was over by \$15,386 and was due to having some unexpected retirements of public safety employees at year end.

The ½% Sales Tax Fund was over budget by \$2,486,015. This fund was set up to account for the tracking of the one-half percent sales tax to finance citywide infrastructure and economic development. The City receives the sales tax from the State and then passes it to JEDO, who in turn holds until disbursement requests are made for voter approved projects. The City received more funding than was budgeted for in 2010.

C. Cash Deficits

The Transient Guest Tax Fund, is considered a non-major special revenue fund, ended 2010 with a cash deficit of \$43,489 (violating K.S.A. 10-1113 and 10-1121).

The Public Golf Course Fund, is a non-major enterprise fund, ended 2010 with a deficit in cash of \$323,189 (violating K.S.A. 10-1113 and 10-1121).

The Payroll Clearing Fund, an agency fund, ended 2010 with a deficit cash of \$2,515 (violating K.S.A. 10-1113 and 10-1121).

The Grant Fund, a non-major special revenue fund, ended 2010 with a deficit in cash of \$40,639 (violating K.S.A. 10-1113 and 10-1121). This is due to all of the larger grants are accepted with a reimbursement structure for expenditures than receiving the proceeds up front.

III. Detailed notes on all funds

A. Deposits and investments

At December 31, 2010, the City had the following investments:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (in Years)</u> |
|--|----------------------|---|
| State Treasurer's Municipal Investment Pool | \$ 46,888,810 | 0.041 |
| U.S. government and agency securities | 34,000,000 | 0.566 |
| Bond Investment contracts, govts. & agencies | <u>13,601,383</u> | 2.107 |
| Total fair value of investments | <u>\$ 94,490,193</u> | |
| Weighted average maturity of portfolio | | <u>2.714</u> |

City of Topeka, Kansas
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Interest rate risk—In accordance with the investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months, not including the investments held in accordance with specific bond covenants.

Credit risk—Kansas state law (K.S.A. 10-301 and K.S.A. 12-1675 to 12-1677) specifies the types of investments in which a municipality may invest. State law also provides for investment of City funds in the Municipal Investment Pool (MIP) within the State Treasury. At December 31, 2010, the City's investment in the MIP and Federal Home Loan Bank was rated AA Af/S1+ and AAA by Standard & Poor's, respectively.

Concentration of credit risk—The City's Investment Policy limits investment of idle funds to 30% with any single financial institution, except for investments in U.S. Treasury or Agency obligations. Investments are made in consideration of safety, liquidity, rate of return, and diversification.

Custodial credit risk on deposits—In the case of deposits of cash and cash equivalents, custodial credit risk is the risk that in the event of failure of a financial institution, the City's deposits may not be returned. State law (K.S.A. 9-1402) mandates that a bank must pledge collateral equal to 100% of the market value of the City's deposits, using those types of collateral allowed by the law. At December 31, 2010, the City had deposits totaling \$7,370,305 in financial institutions, with collateral assets pledged to the City by the institutions having a fair market value of \$13,154,044.

State law (K.S.A. 12-1675 to 12-1677) allows monies not otherwise regulated by statute, to be invested in the following types of securities:

1. Temporary notes of the City of Topeka;
2. Time deposits, open accounts or certificates of deposits with maturities of not more than two years;
3. Repurchase agreements with commercial banks and state or federally chartered savings and loan associations, which have offices located in Topeka;
4. United States Treasury bills or notes with maturities not exceeding two years;
5. U.S. Government Agency securities with a maturity of not more than two years that do not have any more interest rate risk than U.S. Government obligations or similar maturities;
6. The municipal investment pool fund operated by the Kansas State Treasurer;
7. A municipal investment pool established through the trust department of commercial banks, which have offices located in Topeka.

State law (K.S.A. 10-131) allows investment of proceeds of bonds and temporary notes in the following instruments, in addition to those listed above:

1. U.S. Government and Agency obligations;
2. Time deposits with banks and trust companies located in Shawnee County;
3. FNMA, FHLB and FHLMC obligations;
4. Collateralized repurchase agreements;
5. Investment agreements with financial institutions including brokers/dealers whose obligations are rated in one of the three highest rating categories by either Moody's or Standard & Poor's;
6. Mutual funds with portfolios consisting entirely of obligations of the U.S. Government, U.S. Government agencies, FNMA, FHLB and FHLMC;
7. Certain Kansas municipal bonds.

The City has a formal Investment Policy that adheres to Kansas State Statutes.

City of Topeka, Kansas
Notes to the Financial Statements
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B. Receivables

Year end receivables for governmental and business-type funds in the aggregate, are as follows:

| | Governmental- type Activities | Business- type Activities | Total |
|-------------------|-------------------------------------|---------------------------------|----------------------|
| Receivables: | | | |
| Accounts | \$ 2,672,719 | \$ 10,231,389 | \$ 12,904,108 |
| Taxes | 46,756,664 | - | 46,756,664 |
| Sp. assessments | 17,581,461 | - | 17,581,461 |
| Intergovernmental | 648,915 | - | 648,915 |
| Gross receivables | <u>\$ 67,659,759</u> | <u>\$ 10,231,389</u> | <u>\$ 77,891,148</u> |

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

| | General | Debt Service | Capital Projects | Non-major Governmental | Total |
|------------------------------|----------------------|----------------------|---------------------|---------------------------|----------------------|
| Deferred Revenues: | | | | | |
| Property tax | \$ 18,776,007 | \$ 12,657,514 | \$ - | \$ 272,612 | \$ 31,706,133 |
| Special assessments | - | 17,581,461 | - | - | 17,581,461 |
| Motor vehicle ad valorem tax | 1,938,723 | 1,452,484 | - | 28,600 | 3,419,807 |
| Grants | - | - | - | 1,808,422 | 1,808,422 |
| Other deferred revenues | 719,499 | 5,715 | 4,264 | - | 729,478 |
| Total | <u>\$ 21,434,229</u> | <u>\$ 31,697,174</u> | <u>\$ 4,264</u> | <u>\$ 2,109,634</u> | <u>\$ 55,245,301</u> |

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C. Capital Assets

Government-wide activity for the year ended December 31, 2010.

| Consolidated Statement | Beginning | | | Ending |
|--|----------------------|---------------------|---------------------|----------------------|
| | Balance | Increases | Decreases | Balance |
| Governmental Activities | | | | |
| Non-depreciable capital assets | | | | |
| Land | \$ 6,367,861 | \$ - | \$ - | \$ 6,367,861 |
| Intangible Easements | 119,790 | 312,330 | - | 432,120 |
| Construction in Process | 69,089,443 | 14,112,804 | (34,964,786) | 48,237,461 |
| Total Non-Depreciable Capital Assets | 75,577,094 | 14,425,134 | (34,964,786) | 55,037,442 |
| Depreciable Capital Assets | | | | |
| Building Improvements & Infrastructure | 935,049,591 | 35,150,165 | (27,121,190) | 943,078,566 |
| Furniture | 6,684,717 | 21,992 | (21,891) | 6,684,818 |
| Vehicles | 18,948,147 | 3,598,602 | (1,044,400) | 21,502,349 |
| Software | 2,727,528 | - | - | 2,727,528 |
| Tools & Equipment | 8,014,305 | 290,543 | (495,246) | 7,809,602 |
| Total Depreciable Capital Assets | 971,424,288 | 39,061,302 | (28,682,727) | 981,802,863 |
| Less Accumulated Depreciation for: | | | | |
| Building Improvements & Infrastructure | (576,989,939) | (26,777,344) | 27,121,190 | (576,646,093) |
| Furniture | (6,200,808) | (333,456) | 21,641 | (6,512,623) |
| Vehicles | (14,520,652) | (1,436,211) | 1,044,400 | (14,912,463) |
| Software | (279,256) | (545,506) | - | (824,762) |
| Tools & Equipment | (5,065,186) | (559,384) | 452,139 | (5,172,431) |
| Total Less Accumulated Depreciation | (603,055,841) | (29,651,901) | 28,639,370 | (604,068,372) |
| Depreciable capital assets, net of depreciation | 368,368,447 | 9,409,401 | (43,357) | 377,734,491 |
| Governmental activities capital assets, net of accumulated depreciation | \$ 443,945,541 | \$ 23,834,535 | \$ (35,008,143) | \$ 432,771,933 |

| Consolidated Statement | Beginning | | | Ending |
|---|----------------------|---------------------|--------------------|----------------------|
| | Balance | Increases | Decreases | Balance |
| Business Activities | | | | |
| Non-depreciable capital assets | | | | |
| Land | \$ 1,547,573 | \$ 127,787 | \$ - | \$ 1,675,360 |
| Intangible Easements | - | 845,614 | - | 845,614 |
| Construction in Process | 21,748,524 | 4,214,131 | (1,321,072) | 24,641,583 |
| Total Non-Depreciable Capital Assets | 23,296,097 | 5,187,532 | (1,321,072) | 27,162,557 |
| Depreciable Capital Assets | | | | |
| Building Improvements & Infrastructure | 500,190,480 | 1,480,274 | (503,946) | 501,166,808 |
| Furniture | 824,392 | - | (4,282) | 820,110 |
| Vehicles | 7,285,755 | 720,086 | (317,528) | 7,688,313 |
| Tools & Equipment | 4,444,694 | 449,745 | (548,362) | 4,346,077 |
| Total Depreciable Capital Assets | 512,745,321 | 2,650,105 | (1,374,118) | 514,021,308 |
| Less Accumulated Depreciation for: | | | | |
| Building Improvements & Infrastructure | (151,014,929) | (12,001,985) | 477,901 | (162,539,013) |
| Furniture | (765,776) | (13,129) | 8,725 | (770,180) |
| Vehicles | (5,592,119) | (458,146) | 113,107 | (5,937,158) |
| Tools & Equipment | (3,710,953) | (179,858) | 394,420 | (3,496,391) |
| Total Less Accumulated Depreciation | (161,083,777) | (12,653,118) | 994,153 | (172,742,742) |
| Depreciable capital assets, net of depreciation | 351,661,544 | (10,003,013) | (379,965) | 341,278,566 |
| Business Like activities capital assets, net of accumulated depreciation | \$ 374,957,641 | \$ (4,815,481) | \$ (1,701,037) | \$ 368,441,123 |

City of Topeka, Kansas
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Depreciation expense was charged to activities as follows:

| Governmental Activities | |
|-----------------------------------|--------------|
| General government | \$833,971 |
| Public Safety | 1,658,432 |
| Public Works | 24,872,443 |
| Parks and recreation | 1,452,919 |
| Internal Service | 834,136 |
| Total Depreciation Expense | \$29,651,901 |
| Business - Type Activities | |
| Parking, Garages | 839,566 |
| Combined Utilities | 11,813,552 |
| Total Depreciation Expense | \$12,653,118 |

Construction commitments

The City had open, active construction projects on December 31, 2010. The projects include bridge repairs, building and facility updates, repairs of existing streets and traffic signals, new zoo exhibits and facilities, bike trails, water mains, and the construction of additional wastewater facilities. At year-end, the City's open project expenditures and remaining commitments with contractors, by category were as follows:

| | Spent-to-date | Remaining Commitment |
|-----------------------------------|----------------------|---------------------------------|
| General Government | \$ 3,649,178 | \$ 149,573 |
| Public Safety - Fire | 1,000,570 | 767,356 |
| Public Works - Streets | 34,286,927 | 14,063,883 |
| Public Works - Special Assessment | 4,399,921 | 4,646,768 |
| Public Works - Bridges | 195,234 | 1,755,277 |
| Parks and Recreation | 4,705,632 | 5,402,840 |
| Combined Utilities | 24,641,583 | 26,303,044 |
| Total | \$ 72,879,044 | \$ 53,088,741 |

In order to fund some of the expenditures above, the City has issued \$27,565,000 worth of temporary notes, which will be paid off in October 2011.

City of Topeka, Kansas
Notes to the Financial Statements
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D. Interfund receivables, transfers, and activity

The composition of interfund balances as of December 31, 2010 are presented in both table and schedule format with brief descriptions as follows:

| Due from : | | | | |
|--------------------------|-----------------|---------------------------|---------------------|------------|
| | General Fund | Non-major Governmental | Enterprise Funds | Total |
| Due to : | | | | |
| General Fund | \$ 46,688 | \$ 84,128 | \$ 323,189 | \$ 454,005 |
| Sales Tax Street Repairs | 13,786 | - | - | 13,786 |
| Debt Service | 2,991 | - | - | 2,991 |
| Enterprise Fund | 235,343 | - | - | 235,343 |
| Internal Service Funds | 12,874 | - | - | 12,874 |
| Total | \$ 311,682 | \$ 84,128 | \$ 323,189 | \$ 718,999 |

Due to/from other funds:

| Receivable Fund | Payable Fund | Purpose | Amount |
|--|---------------------------|--------------------------------|------------|
| General | General | Distribute investment interest | \$ 46,688 |
| General | Transient Guest Tax | Operating Subsidy | 43,489 |
| General | Public Golf Course | Operating Subsidy | 323,189 |
| General | Miscellaneous Grants Fund | Operating Subsidy | 40,639 |
| Sales Tax Street Maintenance | General | Distribute investment interest | 13,786 |
| Debt Service | General | Distribute investment interest | 2,991 |
| Total Governmental Funds | | | 470,782 |
| Public Parking Facilities | General | Distribute investment interest | 1,770 |
| Water, WPC, & Stormwater Utility | General | Distribute investment interest | 233,573 |
| Total Proprietary Funds: Business-Type | | | 235,343 |
| Risk Management | General | Distribute investment interest | 12,874 |
| Total Proprietary Funds: Governmental-Internal Service Funds | | | 12,874 |
| Grand Total | | | \$ 718,999 |

The outstanding balances between funds result mainly from the time lags between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

| Transfer In: | | | | | |
|------------------------|-----------------|-------------------------|---------------------|---------------------------|------------------------|
| | General Fund | Debt Service Fund | Capital Projects | Non-major Governmental | Total Transfers out |
| Transfer out: | | | | | |
| Parks and Recreation | \$ 172,002 | \$ - | \$ - | \$ - | \$ 172,002 |
| Capital Projects | 111,869 | 2,927,858 | - | - | 3,039,727 |
| Non-major Governmental | 1,087,518 | 3,569,506 | 5,540,000 | 75,169 | 10,272,193 |
| Total transfers in | \$ 1,371,389 | \$ 6,497,364 | \$ 5,540,000 | \$ 75,169 | \$ 13,483,922 |

City of Topeka, Kansas
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Transfers in consisted of the following:

| | |
|---|----------------------|
| General Fund received from General Improvement Fund remaining fund balance | \$ 571,133 |
| General Fund received from Parks and Recreation Fund remaining fund balance | 172,002 |
| General Fund received from Zoo Fund remaining fund balance | 110,480 |
| General Fund received from Transient Guest Fund for operating expenses | 166,198 |
| General Fund received from Unsafe Structures Fund remaining fund balance | 239,707 |
| General Fund received from Capital Project Fund for street improvement excess | 111,869 |
| Historic Asset Tourism received from Transient Guest Tax | 75,169 |
| Debt Service received from Capital Projects for closed projects | 2,927,858 |
| Debt Service received from 1/2% Sales Tax for Bridge Debt Service | 3,569,506 |
| Capital Projects received 1/2% Sales Tax for infrastructure | 5,340,000 |
| Capital Projects received from Transient Guest Tax | 200,000 |
| | \$ 13,483,922 |

Interfund charges for support services paid to the General Fund during 2010 were as follows:

| | |
|--|---------------------|
| Special Street Repair Fund | \$ 363,000 |
| Water, Water Pollution Control, and Stormwater Utility Fund | 2,546,000 |
| Nonmajor enterprise funds | 205,000 |
| Combined risk management funds | 417,700 |
| | \$ 3,531,700 |

In 2010, payments in lieu of taxes of \$5,245,000 and \$384,991 were made to the General Fund by the Water, Water Pollution Control, and Stormwater Utility Fund and the Public Parking Facilities Fund, respectively. The payment in lieu of taxes is based on applying the levy rate to 33% of the net book value of capital assets and 3% of service revenues.

E. Leases

Operating Leases

The City has operating leases for computers and Microsoft licenses. The expenditures for these operating leases for the year ended December 31, 2010, were \$424,164. The future minimum lease payments for these leases are as follows:

| Year Ending December 31 | Amount |
|----------------------------|--------------------|
| 2011 | \$ 441,540 |
| 2012 | 282,574 |
| 2013 | 282,574 |
| 2014 | 216,170 |
| Total | \$1,222,858 |

City of Topeka, Kansas
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Capital Leases

The City has entered into capital lease agreements, as lessee, for financing the acquisition of software and server equipment, telecommunications equipment, fire equipment and trucks, and an enterprise resource planning software. These capital leases have been recorded at the present value of their future minimum lease payments as of the inception date, in accordance with generally accepted accounting principles.

The assets acquired through capital leases are as follows:

| | Governmental Activities - |
|-------------------------------|------------------------------|
| Asset information: | |
| Machinery and equipment | \$ 7,336,672 |
| Less accumulated depreciation | (2,408,291) |
| Total | \$ 4,928,381 |

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

| Year Ending December 31 | Governmental Activities |
|---|----------------------------|
| 2011 | \$ 1,151,638 |
| 2012 | 1,059,298 |
| 2013 | 993,340 |
| 2014 | 993,340 |
| 2015 | 350,467 |
| 2016 - 2020 | 1,752,331 |
| Total minimum lease payments | 6,300,414 |
| Less: amount representing interest | (843,582) |
| Net present value of minimum lease payments | \$ 5,456,832 |

City of Topeka, Kansas
Notes to the Financial Statements
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F. Long-term debt

Changes in long-term liabilities

| | Restated Balance 12/31/09 | Additions | Reductions | Balance 12/31/10 | Due Within One Year |
|-------------------------------|---------------------------------|----------------------|------------------------|-----------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 143,280,686 | \$ 41,050,000 | \$ (42,055,789) | \$ 142,274,897 | \$ 11,275,814 |
| Tax increment and other bonds | 39,485,000 | 5,805,000 | (8,470,000) | 36,820,000 | 3,160,000 |
| Less deferred amounts: | | | | | |
| For issuance premium | 2,868,751 | 73,695 | (120,501) | 2,821,945 | - |
| For issuance discounts | (254,281) | 14,725 | (50,502) | (290,058) | - |
| Deferred amount on refunding | (1,040,597) | (2,843,761) | 178,098 | (3,706,260) | |
| Capital leases | 3,371,639 | 2,899,124 | (813,930) | 5,456,833 | 992,619 |
| OPEB liability | 3,083,303 | 616,346 | - | 3,699,649 | - |
| Retirement Incentive | - | 602,346 | (74,104) | 528,242 | 134,315 |
| Compensated absences | 9,119,696 | 937,057 | (385,109) | 9,671,644 | 156,032 |
| Governmental activity | | | | | |
| Long-term liabilities | <u>\$ 199,914,197</u> | <u>\$ 49,154,532</u> | <u>\$ (51,791,837)</u> | <u>\$ 197,276,892</u> | <u>\$ 15,718,780</u> |
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | 13,089,314 | 155,000 | (449,211) | 12,795,103 | 314,186 |
| Less deferred amounts: | | | | | |
| Discount on issuance | (40,215) | 20,742 | - | (19,473) | - |
| Premium on issuance | 201,218 | - | 10,231 | 211,449 | - |
| Revenue bonds | 115,275,000 | 10,225,000 | (2,050,000) | 123,450,000 | 2,105,000 |
| Less deferred amounts: | | | | | |
| Premium (loss) on redemption | (485,433) | 46,264 | - | (439,169) | - |
| Discount on issuance | (10,153) | 653 | - | (9,500) | - |
| Premium on issuance | 1,327,878 | - | (91,001) | 1,236,877 | - |
| Refunding discount | (357,554) | 16,046 | - | (341,508) | - |
| Refunding premium | 937,163 | - | (56,126) | 881,037 | - |
| Defer gain(loss) redemption | (512,680) | - | 31,663 | (481,017) | - |
| State revolving loan | 89,619,673 | 2,201,803 | (6,874,580) | 84,946,896 | 7,267,758 |
| Other liabilities | 350,706 | - | (42,706) | 308,000 | - |
| OPEB liability | 134,856 | 13,006 | - | 147,862 | - |
| Retirement Incentive | - | 202,086 | (16,488) | 185,598 | 46,870 |
| Compensated absences | 658,605 | 23,699 | (8,203) | 674,101 | 119,418 |
| Business-type activity | | | | | |
| Long-term liabilities | <u>\$ 218,708,188</u> | <u>\$ 14,384,489</u> | <u>\$ (9,546,421)</u> | <u>\$ 223,546,256</u> | <u>\$ 9,853,232</u> |

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The following paragraphs summarize the long-term liability activity for 2010 for the governmental and business type activities as presented in the above table.

The tax increment and other bonds consist of \$9,890,000 of STAR bonds for Heartland Park race track, \$5,805,000 of tax increment bonds for College Hill development, and \$21,125,000 of sales tax revenue bonds to replace one of the main bridges through the City.

With the issuance of GASB 45, the City has determined a liability for the governmental funds of \$3,699,649 consisting of \$451,301 for general government and \$3,371,728 for public safety.

In 2010, due to lower than expected revenues, the City implemented a retiree incentive program for eligible employees in hopes of lowering current expenses. Eligible employees would be given single health insurance coverage for five years and a higher percentage of sick leave upon retirement. The amount due in 2011 is \$181,185 and the remaining balance of \$532,655 for the next three and one half years.

The City has issued revenue bonds and has also entered into long-term agreements with the Kansas Department of Health and Environment for loans from its Water Pollution Control and Public Water Supply State Revolving Loan Funds. Proceeds from both types of long-term debt are used to finance the City's water, water pollution control, and stormwater utilities, which are responsible for all phases of operation and maintenance of the City's public water supply, wastewater treatment, and stormwater activities. The water, water pollution control, and stormwater debt transactions are reported in separate funds for internal accounting purposes. However, the revenue generated by the Combined Water, Water Pollution Control, and Stormwater Utility Fund is pledged in loan agreements and in bond covenants for repayment of debt.

At January 1, 2010, the City owed \$68,935,322 to the Kansas Water Pollution Control State Revolving Loan Fund (WPC-SRF); during the year, the City borrowed an additional \$2,201,803, from the WPC-SRF and repaid loan principal of \$5,566,506. The total balance owed for the WPC-SRF at December 31, 2010, was \$65,570,618.

At January 1, 2010, the City owed \$20,684,351 to the Kansas Public Water Supply State Revolving Loan Fund (PWS-SRF); during the year, the City repaid loan principal of \$1,308,074 from PWS-SRF. The total balance owed for the WPS-SRF at December 31, 2010 was \$19,376,278.

The City has entered into agreements to receive loans up to \$121,140,518 from WPC-SRF and up to \$20,198,119 from PWS-SRF. The City's procedure was to back the SRF loans through bond insurance instead of full faith and credit of the City. The City is not willing to change its policy regarding the use of full faith and credit for SRF loans. In 2011, the State lowered its requirement for bond insurance, making these types of loans an available option to the City in the future.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction or improvement of major capital assets. General obligation bonds have been issued for both governmental and business-type activities. The principal amount of general obligation bonds outstanding at January 1, 2010, was \$156,370,000. During the year, general obligation bonds totaling \$10,800,000 were retired, \$31,705,000 were refunded, and \$41,205,000 of general obligation bonds were issued, bringing the December 31, 2010 outstanding balance to \$155,070,000.

City of Topeka, Kansas
Notes to the Financial Statements
December 31, 2010

General obligation bonds are direct obligations of the government, and the full faith and credit of the City are pledged to their repayment. These bonds generally are issued as 20-year serial bonds with nearly level debt service payments due each year. General obligation bonds currently outstanding, by purpose and type, are as follows:

| Purpose | Interest Rates | Amount |
|--------------------------------------|----------------|----------------------|
| Governmental activities | 2.70 - 5.60% | \$46,482,131 |
| Governmental activities – refunding | 1.80 - 5.60% | 95,792,766 |
| Business-type activities | 4.00 – 4.38% | 6,985,000 |
| Business-type activities - refunding | 2.00 – 4.38% | 5,810,103 |
| | | <u>\$155,070,000</u> |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ending December 31 | Principal | Interest | Total |
|----------------------------|-----------------------|----------------------|-----------------------|
| 2011 | \$ 11,590,000 | \$ 5,630,531 | \$ 17,220,531 |
| 2012 | 11,785,000 | 5,314,954 | 17,099,954 |
| 2013 | 12,215,000 | 4,829,029 | 17,044,029 |
| 2014 | 12,710,000 | 4,325,179 | 17,035,179 |
| 2015 | 10,765,000 | 3,816,404 | 14,581,404 |
| 2016-2020 | 41,210,000 | 14,466,994 | 55,676,994 |
| 2021-2025 | 34,240,000 | 8,049,270 | 42,289,270 |
| 2026-2030 | 17,845,000 | 2,594,828 | 20,439,828 |
| 2031-2035 | 2,260,000 | 377,644 | 2,637,644 |
| 2036 | 450,000 | 19,688 | 469,688 |
| Total | <u>\$ 155,070,000</u> | <u>\$ 49,424,519</u> | <u>\$ 204,494,519</u> |

Revenue bonds

The City also issues revenue bonds. The City pledges income derived from the fees and charges to users of the related assets to pay debt service on revenue bonds. The principal amount of revenue bonds outstanding at January 1, 2010, was \$115,275,000. In 2010, the City retired \$2,050,000 of revenue bonds and issued \$10,225,000. Revenue bonds outstanding at year-end are \$123,450,000, as follows:

| Purpose | Interest Rates | Amount |
|---|-----------------|----------------------|
| Water, Water Pollution Control & Stormwater | 2.00 - 7.50% | <u>\$123,450,000</u> |

City of Topeka, Kansas
Notes to the Financial Statements
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Revenue bond debt service requirements to maturity are as follows:

| Years Ending December 31 | Principal | Interest | Total |
|-----------------------------|-----------------------|----------------------|-----------------------|
| 2011 | \$ 2,105,000 | \$ 5,568,673 | \$ 7,673,673 |
| 2012 | 2,175,000 | 5,536,900 | 7,711,900 |
| 2013 | 2,275,000 | 5,449,950 | 7,724,950 |
| 2014 | 3,400,000 | 5,348,195 | 8,748,195 |
| 2015 | 3,965,000 | 5,188,558 | 9,153,558 |
| 2016-2020 | 22,740,000 | 23,178,401 | 45,918,401 |
| 2021-2025 | 29,790,000 | 17,737,280 | 47,527,280 |
| 2026-2030 | 33,455,000 | 10,078,356 | 43,533,356 |
| 2031-2035 | 18,690,000 | 3,529,280 | 22,219,280 |
| 2036-2040 | 4,855,000 | 720,000 | 5,575,000 |
| Total | <u>\$ 123,450,000</u> | <u>\$ 82,335,594</u> | <u>\$ 205,785,594</u> |

Advance and current refundings

General Obligation Bonds – On September 29, 2010, the City issued its General Obligation Improvement and Refunding Bonds, Series 2010-B in the principal amount of \$34,985,000, with interest rates ranging from 1.625% to 4.375% and the final maturity date is August 15, 2036. Series 2010-B currently refunded the City's Series 2005-A General Obligation Bonds, with interest rates ranging from 3.3% to 4.4%, and 2005-B General Obligation Bonds, with interest rates ranging from 3.5% to 5.0%. Series 2010-B also advanced refunded a portion of 2006-A General Obligation Bonds, with an interest rate of 4.0%; 2006-B General Obligation Bonds, with an interest rate of 4.0%; and 2008-A General Obligation and Refunding Bonds, with interest rates ranging from 3.75% to 5.6%. The net proceeds of \$34,286,428.62 from the advance refunding were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the 2006-A, 2006-B and 2008-A bonds are considered defeased and the related liability for these bonds has been removed from the long-term debt.

The refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$2,843,761. The City completed this advance refunding to reduce its debt service payments by \$2,543,956 over the life of the bonds with a net present value savings of \$2,417,992.

G. Restricted assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

| | Water Pollution | | | | Total |
|---|----------------------|---------------------|----------------------|-------------------|----------------------|
| | Water | Stormwater | Control | Parking | |
| Bond reserve | \$ 5,358,882 | \$ 880,560 | \$ 2,446,559 | \$ - | \$ 8,686,001 |
| Renewal & replacement | 1,500,000 | - | - | - | 1,500,000 |
| Construction proceeds | 1,265,854 | - | 9,973,819 | 20,000 | 11,259,673 |
| Sinking fund | 1,815,406 | 348,781 | 984,540 | 299,987 | 3,448,714 |
| Water consumer deposits | 580,481 | - | - | - | 580,481 |
| Water consumer deposits flushing meters | 92,439 | - | - | - | 92,439 |
| Internal restriction principal on SRF loans | 1,969,583 | - | 1,699,499 | - | 3,669,082 |
| Deposits with fiscal agent | 2,388,821 | - | 6,834,847 | - | 9,223,668 |
| Total restricted assets | <u>\$ 14,971,466</u> | <u>\$ 1,229,341</u> | <u>\$ 21,939,264</u> | <u>\$ 319,987</u> | <u>\$ 38,460,058</u> |

City of Topeka, Kansas
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H. Short-term Debt – Notes

The City issues notes in advance of property tax collections, depositing the proceeds in its capital improvement funds. These notes are necessary because the City receives the biggest part of its mill levy twice each year – January and June. The City issues business type notes to cover expenses, until the next revenue bonds are sold.

Short-term debt activity for the year ended December 31, 2010, was as follows:

| | Beginning Balance | Issued | Redeemed | Ending Balance |
|-------------------------|----------------------|---------------------|---------------------|---------------------|
| Governmental-type notes | \$20,071,140 | \$24,615,000 | \$ 20,071,140 | \$ 24,615,000 |
| Business-type notes | 4,818,860 | 2,950,000 | 4,818,860 | 2,950,000 |
| Total | <u>\$24,890,000</u> | <u>\$27,565,000</u> | <u>\$24,890,000</u> | <u>\$27,565,000</u> |

IV. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Under the Kansas Tort Claims Act, K.S.A. 75-6101 to 75-6115, general liability claims against the City are limited within the scope of the act to an occurrence aggregate of \$500,000. The City self-insures for general liability claims up to this statutory dollar limit and has a self-insured retention on third party vehicle liability claims of \$250,000. The City purchases commercial insurance coverage for physical damage to City property. For each of the past three years, settlements have been within coverage limits.

The City is also self-insured for several other categories of potential loss. As part of its self-insurance program, the City has established internal self-insurance funds for employee health insurance, workers' compensation, and unemployment compensation (jointly, the internal self-insurance funds). There has been no significant reduction in commercial or self-insurance coverage from the prior year.

The internal self-insurance funds accrue the required amounts for the payment of anticipated claims by apportioning rate charges among the various City departments. Rates are based on historical and expected future expenses pursuant to eight-year actuarial studies. These rate charges are reported as expenditures in the applicable funds. Risks attributable to the workers' compensation self-insurance fund have excess reinsurance coverage above \$500,000.

The health self-insurance fund has catastrophic stop-loss reinsurance for all claims, except those for prescription drugs, to help protect the City against extraordinary losses. It also maintains a trust reserve. Our management of this program and claims experience over the past several years has enabled us to not only maintain but upgrade benefit coverage with continued 100% payment of individual employee plans and no increases in dependent premiums.

City of Topeka, Kansas
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A reconciliation of changes in liabilities for claims, including claims incurred but not reported, for the past two years follows:

| | 2010 | 2009 |
|---|--------------|--------------|
| Claims liabilities at beginning of the year | \$ 1,941,607 | \$ 2,201,457 |
| Claims incurred during the year | 10,944,520 | 9,677,295 |
| Claims paid during the year | (10,645,282) | (9,937,145) |
| Claims liabilities at end of the year | \$ 2,240,845 | \$ 1,941,607 |

B. Contingent liabilities

The City is involved in lawsuits arising in the ordinary course of activities, including claims regarding wrongful death, personal injury, civil rights actions, and wrongful termination cases. Management based on the advice of counsel, has recorded an estimated obligation of \$919,000 related to certain cases. While other cases may have future financial effect, management, based on advice of counsel, believes that their ultimate outcome will not be material to the basic financial statements.

The City is party to various claims, legal actions, and complaints arising in the ordinary course of business. The City has insurance that covers some claims, up to statutory limits, and has set aside money in a special liability fund for payment of non-insured settlements and judgments.

The City has issued industrial revenue bonds to finance the purchase of land and construction of facilities leased to local businesses. The lease agreements provide for rentals sufficient to service the debt repayment of the related bonds. The bonds and related interest costs are payable solely from lessee rentals and do not constitute general liabilities of the City. The lessees have the option of purchasing the leased properties at any time during the lease periods for amounts sufficient to retire the related outstanding bonds. At the end of the lease periods, which conform to bond maturity schedules, the lessees may either purchase the property for a nominal amount or renew the leases annually at nominal amounts. Industrial revenue bonds outstanding at December 31, 2010, totaled \$43,160,000.

Costs to complete construction contracts to which the City was committed at December 31, 2010 are estimated at \$26,785,697 for the governmental funds and \$26,303,044 for Enterprise Funds.

C. Jointly governed organizations

The Topeka-Shawnee County Landmarks Commission, comprised of nine members, is jointly governed by the City and Shawnee County. The Topeka City Council appoints five members of the Commission, and four are appointed by the Shawnee County Commission. The Landmarks Commission is responsible to advise the city council or county commissioners on historic resources and to safeguard the architectural and cultural heritage of the community through the preservation of historic landmarks and historic districts. The Landmarks Commission may carry out these duties through the identification, documentation and designation of historic resources; development and implementation of a historic preservation plan; administration of ordinances/resolutions governing the designation, alteration and removal of historic resources; assistance with educational programs, economic development and tourism, and coordination of public and private historic preservation activities. The Landmarks Commission is an advisory entity with no financial activity.

On December 9, 2004, Shawnee County and the City entered into an interlocal agreement, pursuant to the provisions of *K.S.A. 12 2901 et seq.*, as amended. Pursuant to the terms of the interlocal agreement the County and the City agreed to continue the Joint Economic Development Organization (the "JEDO"), a separate legal entity, created by the County and the City in 2001, to provide the economic development program for the County and the City.

The JEDO is comprised of a seven (7)-member board, which includes three County Commissioners, the Mayor and Deputy Mayor of the City, and two City Council members. The Chair of the JEDO rotates between the County and the City on a yearly basis. Under the terms of the interlocal agreement, the JEDO must

City of Topeka, Kansas
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remain in existence during the term of the one-half of one percent countywide sales tax approved by the voters to be imposed from January 1, 2005, through December 31, 2015, plus one year. The revenues derived from the sales tax are deposited with the JEDO, which administers the monies as directed by the vote and under the terms of the interlocal agreement. During the year ended December 31, 2010, the City paid \$7,084,980 to JEDO and received \$8,909,506 from JEDO in accordance with the interlocal agreement. The City is owed \$1,421,481 from the State of Kansas, which is subsequently due to JEDO for sales taxes earned, but not received and is included in due to others. An annual audit of the JEDO is required to be provided to the City and the County and filed with the City Clerk, the County Clerk and at the Topeka-Shawnee County Public Library.

D. Other post employment benefits

Other Post Employment Retirement Benefits (GASB 45) reporting requirements became effective for the City of Topeka on December 15, 2007.

Plan Description The City of Topeka's health plan is self funded by the City. The City of Topeka has a single employer plan for retirees' health benefit. The benefit plan is authorized by Personnel Code Article III, Section 4 Group Insurance B and K.S.A. 12-5040. Retirees have the option to continue with the city plan and pay the monthly premium. However once the retiree drops the coverage they forfeit their right to future coverage. The City offers major medical health insurance, dental coverage and prescription coverage.

Funding Policy The current plan is financed on a pay as you go basis. The retirees pay the same premium established for active employees. In 2010 the City had 267 retirees, contributing \$1,306,240. The total cost of health insurance claims and administrative fees for retirees was \$2,508,843. Resulting in the City supplementing the retirees health insurance plan by \$1,202,603 for 2010.

See the chart below for costs paid by employees and retirees on a monthly basis.

| | Employees Base Plan | Employees Buy-up Plan | Retirees Base Plan | Employees Buy-up Plan |
|---------------|------------------------|--------------------------|-----------------------|--------------------------|
| Single | \$ - | \$ 34.67 | \$ 336.00 | \$ 368.00 |
| With Children | 179.83 | 247.00 | 572.00 | 681.00 |
| With Spouse | 247.00 | 331.50 | 646.00 | 770.00 |
| Family | 405.17 | 535.17 | 809.00 | 978.00 |

Funding Status and Funding Progress

The funded status of the plan as of December 31, 2010, was as follows:

| | |
|--------------------------------------|---------------|
| Actuarial accrued liability | \$ 18,737,527 |
| Actuarial value of Plan Assets | - |
| Unfunded Actuarial Accrued Liability | \$ 18,737,527 |
| Funded Ratio | 0% |
| Covered Payroll | \$ 66,152,204 |
| Percentage of Covered Payroll | 28.32% |

Annual OPEB Cost and Net OPEB Obligation The City's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. This number was established by an independent actuarial

City of Topeka, Kansas
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study done by Milliman, Inc. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligations.

| | |
|--|----------------------------|
| Annual required contribution | \$ 1,796,546 |
| Interest on net OPEB obligation | 168,953 |
| Adjustment to annual required contribution | <u>(133,544)</u> |
| Annual OPEB cost (expense) | 1,831,955 |
| City's contribution to retiree's costs | <u>(1,202,603)</u> |
| Increase in net OPEB obligation | 629,352 |
| Net OPEB obligation - beginning of year | <u>3,218,159</u> |
| Net OPEB obligation - end of year | <u><u>\$ 3,847,511</u></u> |

The City's annual OPEB cost, the percentage of annual OPEB costs estimated to be contributed to the plan, and the net OPEB obligation for the year ending December 31, 2010, 2009 and 2008 are as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|---------------------|--|------------------------|
| 12/31/2008 | \$ 1,704,763 | 24.4% | \$ 1,929,707 |
| 12/31/2009 | 1,821,773 | 29.3% | 3,218,159 |
| 12/31/2010 | 1,831,955 | 65.6% | 3,847,511 |

Actuarial Methods and Assumptions The cost of the plan is derived by making certain specific assumptions as to the rate of interest, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the long term assumptions, the costs determined by the valuation must be regarded as estimates of the true cost of the Plan.

The City used the following assumptions in their valuation:

Method Used: Unit Credit Actuarial Cost Method

Interest Rate: 5.25%

Amortization Factor: 25.36%

Mortality Rate: RP-2000 Mortality Table for Healthy Annuitants and Employees for Males and Females with generational projection, ages set forward one year.

Withdrawal Rates: Used City past history to establish rates

Retirement Rates: Used City past history to establish rates

Marriage and Family Assumptions: 45% of KP&F members and 40% of KPERS members will have spouses that will elect coverage.

Price Inflation: 3.5%

Payroll Growth: 4.0% per year

Health Care Cost Trend Rate: Medical and Drugs– 5.4% avg; Dental – 4.8% avg; other expenses 4.5 avg

Participation Rate: 65% of KP&F members and 50% of KPERS members

E. Employee retirement systems and pension plans

In 2004, the City entered into an agreement with ING Group to be the exclusive third-party provider under the City's *Internal Revenue Code Section 457* (deferred compensation) plan. Costs of the Section 457 Plan are borne by the participants. The deferred compensation plan administered by ING, which is available to all benefit eligible employees, permits employees to defer taxes on the portion of their salary designated for deposit with the third-party provider until future years. The deferred compensation is not subsequently

City of Topeka, Kansas
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December 31, 2010

available to employees until the occurrence of a defined "qualifying event," which includes separation from employment, retirement, death, or certain unforeseeable emergencies.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights "are held in trust for the exclusive benefit of [employee] participants and their beneficiaries". The City, which does not have access to those properties or rights, provides neither administrative services to nor investment advice for the plan, and therefore does not include the balances and activities of the plan in the City's financial statements.

The City of Topeka participates in the Kansas Public Employees Retirement System (KPERs) and in the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing, multiple-employer, defined benefit pension plan, as defined by Federal regulations. As provided by K.S.A. 74-4901, *et seq.*, KPERs and KP&F provide retirement benefits, term life insurance, disability income benefits, and death benefits. Kansas state law establishes and amends all KPERs and KP&F benefit provisions. KPERs and KP&F issue a publicly available, combined, annual financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERs, 611 S Kansas Avenue, Suite 100, Topeka, Kansas, 66603-3925, or by calling 1-800-228-0366.

Currently, K.S.A. 74-4919 establishes the KPERs member-employee contribution rate for Tier 1 members 4% and for Tier 2 (effective July 1, 2009) 6% of covered salary, and K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually, based on the results of an annual actuarial valuation. KPERs and KP&F are funded on an actuarial reserve basis. State law sets a limit on annual increases in the employer contribution rates. The KPERs employer rate established by statute for calendar year 2010 was 7.14% (includes 1% for insurance) for both Tier 1 and Tier 2. Tier 2 is for employees with a membership date on or after July 1, 2009. The City of Topeka employer contributions to KPERs for the years ending December 31, 2010, 2009, and 2008 were \$1,805,616, \$1,694,926, and \$1,400,337 respectively, equal to the statutorily required contributions for each year.

Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. Including such past service costs' amortization, the City's KP&F uniform participating employer rate for calendar year 2010 was 12.86%. The City's employer contributions to KP&F for the years ending December 31, 2010, 2009, and 2008 were \$4,053,917, \$4,328,631, and \$4,268,558, respectively, equal to the statutorily required contributions for each year.

F. Termination Benefits

In June 2010, the City offered a retirement incentive plan, where the City would cover the cost of a basic single health insurance premium for five years. Forty seven people took advantage of the plan. A risk free rate of .6751% to discount back the future payments to present value. Present Value at 7/1/2010 was \$804,432, with a payout of \$90,592 for six months and leaving \$713,840 for the remaining four and one-half years.

G. Pending Governmental Accounting Standards Board Statements

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which the City will be required to implement in the fiscal year beginning January 1, 2011. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, as well as clarifying the definitions of the various governmental fund types.

City of Topeka, Kansas
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December 31, 2010

Additionally, GASB has issued the following statements which may impact the City's financial reporting requirements in the future:

- GASB Statement 57 – *OPEB Measurements by Agent Employers and Agent-Multiple Employer Plans*, effective for the fiscal year beginning January 1, 2012.
- GASB Statement 59 – *Financial Instruments Omnibus*, effective for the fiscal year beginning January 1, 2011.
- GASB Statement 60 – *Accounting and Financial Reporting for Service Concession Arrangements*, effective for the fiscal year beginning January 1, 2012.
- GASB Statement 61 – *The Financial Reporting Entity – Omnibus*, effective for the fiscal year beginning January 1, 2013.
- GASB Statement 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for the fiscal year beginning January 1, 2012.
- GASB Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for the fiscal year beginning after December 15, 2011.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, effective for the fiscal year beginning after June 15, 2011.

H. Subsequent Events

The City evaluated subsequent events through the date the financial statements were available to be issued.

Subsequent to year-end, the City issued the following in new debt instruments in August and October of 2011.

| <u>Name and purpose of debt</u> | <u>Series</u> | <u>Date of Issue</u> | <u>Interest Rate %</u> | <u>Amount Issued</u> |
|---------------------------------------|---------------|----------------------|------------------------|----------------------|
| General Obligation & Refunding Bonds | 2011A | 9/20/11 | 2.00-4.25 | \$25,765,000 |
| General Obligation Bonds | 2011B | 9/29/11 | 2.00-4.00 | 3,430,000 |
| Heartland Park Refunding Star Bonds | 2011A | 9/20/11 | 2.00-4.00 | 9,855,000 |
| Utilities and Refunding Revenue Bonds | 2011A | 9/29/11 | 2.00-4.50 | 18,900,000 |
| Topeka Blvd Bridge Refunding Bonds | 2011 | 10/28/11 | 2.00-4.00 | 14,610,000 |
| G.O. Temporary Notes | 2011A | 9/20/11 | 1.25 | 15,230,000 |

In July 2011, the City Council approved the contract to consolidate the City's Park and Recreation Department with Shawnee County's Parks Department under Shawnee County control. This consolidation will take effect on January 1, 2012. The employees and the assets of the department will move from City of Topeka financial control to that of Shawnee County. The City of Topeka will be required to continue to levy a property tax to support the new consolidated department for 4 years. The City will also be responsible for paying off any outstanding debt from Park and Recreation projects.

City of Topeka, Kansas
REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of Funding Progress
 For the Retiree Health Plan

All Municipal Retired Employees Healthcare Plan

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Funding Ratio | Covered Payroll | Unfunded Liability as Percentage of Covered Payroll |
|---|--------------------------------------|--|---|--------------------------|------------------------|--|
| 1/1/2007 | \$ - | \$ 17,441,930 | \$ 17,441,930 | 0% | \$ 62,540,183 | 27.89% |
| 1/1/2009 | - | 18,737,527 | 18,737,527 | 0% | 66,152,204 | 28.32% |

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specified purposes.

| <u>FUND NAME</u> | <u>STATUTORY OR OTHER AUTHORITY</u> | <u>PURPOSE</u> |
|-------------------------------|--|---|
| Downtown Improvement District | Topeka Ordinance #15701 | Accounts for assessments levied against property owners and tenants within the downtown business improvement district to provide for improvements and promotion of the downtown business area. |
| Special Alcohol Program | K.S.A. 79-41a04 | Accountability and use of one-third of City's distributable portion of special tax on sales of alcoholic beverages in private clubs. The resources of this fund may be used only for services or programs for prevention, education, or treatment of alcohol or drug abuse. |
| Alcohol and Drug Safety | K.S.A. 8-1008 | Fees are collected by Municipal Court on diversions of criminal proceedings to provide drug and alcohol evaluations, and appropriate referrals to include an internal Alcohol Information School by certified counselors, as well as case management ensuring both the needs of the client and Municipal Court are met. |
| General Improvement | Topeka Charter Ordinance #7 | Controls and accounts for the proceeds of a property tax levy which is authorized to permit the City to pay cash in lieu of issuing bonds to pay the cost of public improvements. |
| Park Land Acquisition | Administrative Topeka Ordinance #17226/18065 | Reserves funds transferred from City departments and contributed by other entities for future land acquisitions for park improvements and developments. |
| Law Enforcement | K.S.A 13-14-a02, 60-4100,74-5607 Topeka City Code Section 106:227-229 Topeka Ordinance # 17796 | This fund was established for collecting revenues through means of donations, Federal monies, warrant fees, Municipal Court fees, and license fees in order to subsidize crime prevention activities including training, canine and officer equipment, and crime prevention programs. |
| Special Liability | K.S.A. 75-6110 | Provides resources from a property tax levy to pay costs of defending the City and its officers and employees against tort or civil rights claims, and to pay judgments or settlements resulting from such claims. |
| Zoo | Administrative K.S.A. 12-1301 | Administers the maintenance and operation of the City's zoological park. Accounts for revenues received from zoo admissions and concessions. This fund was consolidated into the General Fund. |

Special Revenue Funds (Continued...)

| <u>FUND NAME</u> | <u>STATUTORY OR OTHER AUTHORITY</u> | <u>PURPOSE</u> |
|---------------------------------------|--|---|
| Golf Improvement | City Code 2-333 Ordinance #17783 | Topeka Accounts for seven percent of golf course revenues to be used for capital improvements for the city golf course. |
| Transient Guest Tax | K.S.A. 12-1697 Topeka Resolution #4045 Topeka Charter Ordinance #69 | Accounts for revenues received from a transient guest tax imposed on hotel and motel room rentals. Used for promotion of conventions and tourism in |
| Unsafe Structures Removal | K.S.A 12-1750 & K.S.A. 12-4758 Topeka Ordinance #16918 | Accounts for resources and expenditures for repair, alteration, removal or demolishing those structures determined to be unfit for habitation or endangering health and safety of the public. This fund was consolidated into the General Fund. |
| Retirement Reserve | Administrative Action | Provides funding for and absorbs those accrued sick leave, vacation, and other related costs of City employees upon their retirement. |
| KP & F Equalization | Administrative Action Topeka Ordinance #18269 & #18290 | Provides funding for retirement of the KP & F liabilities and a reserve fund for any future excess contribution liabilities. |
| Neighborhood Revitalization | Administrative Action Topeka Ordinance #18222 | Provides funding for the redevelopment of designated revitalization areas and dilapidated |
| Historic Asset Tourism | Administrative Action Topeka Ordinance #17238 | Provides funding for acquisition, rehabilitation and preservation of historic landmarks or historic resources located within the City. |
| 1/2 % Sales Tax | City (# 34790)/County (C334-2004) Interlocal Agreement & Approved by Voters on 08-03-04 | Provides funding for economic development and countywide infrastructure development. |
| Tax Increment Financing | K.S.A 12-1770a & Topeka Ordinance #18923 | This fund was established to monitor the amount of property and sales taxes received for tax increment financing districts created for redevelopment of blighted areas. |
| Donations and Gifts | Administrative | Established to house donations and gifts for departments in the General Fund. |
| Governmental and Miscellaneous Grants | Public Law 93-838 City Code Chapter 42 Various Grant Contracts | Accounts for the receipts and expenditures of proceeds provided by various governmental departments for Community Development Block Grant Programs, various other grants related to health and social service programs, and law enforcement programs. Other grants Included are miscellaneous grants from all sources to provide for things such as community clean up, recreational equipment and public safety. |

Nonmajor Capital Projects Fund

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds.)

Developer Project Fund

This fund was established to house the expenditures of projects that are funded by developers of the community.

City of Topeka, Kansas
Combining Balance Sheet
Nonmajor Governmental Funds
For the year ended December 31, 2010

| | Special Revenue Funds | | | | | | | | | | |
|--|-------------------------------------|-------------------------------|-----------------------------|------------------------|---------------------------|--------------------|----------------------|-------------|----------------------------|---------------------------|--------------------------------|
| | Downtown Improvement District | Special Alcohol Program | Alcohol & Drug Safety | General Improvement | Park Land Acquisitions | Law Enforcement | Special Liability | Zoo | Golf Course Improvement | Transient Guest Tax | Unsafe Structure Removal |
| Assets | | | | | | | | | | | |
| Cash and equity in Treasurer's Fund | \$ 22,646 | \$ 573,638 | \$ 270,005 | \$ - | \$ 272,290 | \$ 758,595 | \$ 1,117,304 | \$ - | \$ 28,014 | \$ - | \$ - |
| Receivables (net of allowance for uncollectibles): | | | | | | | | | | | |
| Accounts receivable | 9,340 | - | - | - | 34,275 | 1,481 | - | - | - | - | - |
| Taxes receivables | - | - | - | - | - | - | 301,212 | - | - | 493,142 | - |
| Deposits held by others | - | - | - | - | - | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - | - | - | - | - | - |
| Total assets | \$ 31,986 | \$ 573,638 | \$ 270,005 | \$ - | \$ 306,565 | \$ 760,076 | \$ 1,418,516 | \$ - | \$ 28,014 | \$ 493,142 | \$ - |
| Liabilities and fund balances | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | |
| Accounts and contracts payable | \$ 70 | \$ - | \$ 125 | \$ - | \$ - | \$ 9,094 | \$ 281 | \$ - | \$ - | \$ - | \$ - |
| Salaries & wages payable | - | - | - | - | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | - | - | - | 43,489 | - |
| Due to others | - | - | 188,875 | - | - | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | 34,275 | 1,481 | 301,212 | - | - | - | - |
| Total liabilities | 70 | - | 189,000 | - | 34,275 | 10,575 | 301,493 | - | - | 43,489 | - |
| Fund Balances | | | | | | | | | | | |
| Reserved for: | | | | | | | | | | | |
| Encumbrances | - | 7,088 | 90 | - | - | 88,512 | 75,947 | - | - | 393,667 | - |
| Unreserved, reported in: | | | | | | | | | | | |
| Special Revenue Funds | 31,916 | 566,550 | 80,915 | - | 272,290 | 660,989 | 1,041,076 | - | 28,014 | 55,986 | - |
| Total fund balances | 31,916 | 573,638 | 81,005 | - | 272,290 | 749,501 | 1,117,023 | - | 28,014 | 449,653 | - |
| Total liabilities and fund balances | \$ 31,986 | \$ 573,638 | \$ 270,005 | \$ - | \$ 306,565 | \$ 760,076 | \$ 1,418,516 | \$ - | \$ 28,014 | \$ 493,142 | \$ - |

continued...

City of Topeka, Kansas
Combining Balance Sheet
Nonmajor Governmental Funds
For the year ended December 31, 2010

...continued

| | Special Revenue Funds | | | | | | | Capital Project Fund | Totals 2010 | |
|--|-----------------------|---------------------|-----------------------------|------------------------|---------------------|-------------------------|-------------------|-------------------------------------|---------------------|----------------------|
| | Retirement Reserve | KP & F Equalization | Neighborhood Revitalization | Historic Asset Tourism | 1/2 % Sales Tax | Tax Increment Financing | Donations & Gifts | Governmental & Miscellaneous Grants | | Developer Projects |
| Assets | | | | | | | | | | |
| Cash and equity in Treasurer's Fund | \$ 346,227 | \$ 1,436,251 | \$ 136,191 | \$ 292,664 | \$ 631,323 | \$ 6,961 | \$ 51,028 | \$ - | \$ 1,008,667 | \$ 6,951,804 |
| Receivables (net of allowance for uncollectibles): | | | | | | | | | | |
| Accounts receivable | - | - | - | - | - | - | - | 222,396 | - | 267,492 |
| Taxes receivables | - | - | - | - | 1,421,481 | - | - | - | - | 2,215,835 |
| Deposits held by others | - | - | - | - | 1,348,010 | - | - | - | - | 1,348,010 |
| Due from other governments | - | - | - | - | - | - | - | 644,924 | - | 644,924 |
| Total assets | \$ 346,227 | \$ 1,436,251 | \$ 136,191 | \$ 292,664 | \$ 3,400,814 | \$ 6,961 | \$ 51,028 | \$ 867,320 | \$ 1,008,667 | \$ 11,428,065 |
| Liabilities and fund balances | | | | | | | | | | |
| Liabilities: | | | | | | | | | | |
| Accounts and contracts payable | \$ - | \$ - | \$ - | \$ 7,500 | \$ - | \$ - | \$ - | \$ 62,693 | \$ - | \$ 79,763 |
| Salaries & wages payable | - | - | - | - | - | - | - | (11) | - | (11) |
| Due to other funds | - | - | - | - | - | - | - | 40,639 | - | 84,128 |
| Due to others | - | - | - | - | 2,052,804 | - | - | - | - | 2,241,679 |
| Deferred revenue | - | - | - | - | - | - | - | 763,999 | 1,008,667 | 2,109,634 |
| Total liabilities | - | - | - | 7,500 | 2,052,804 | - | - | 867,320 | 1,008,667 | 4,515,193 |
| Fund Balances | | | | | | | | | | |
| Reserved for: | | | | | | | | | | |
| Encumbrances | - | - | - | 285,164 | - | - | - | - | - | 850,468 |
| Unreserved, reported in: | | | | | | | | | | |
| Special Revenue Funds | 346,227 | 1,436,251 | 136,191 | - | 1,348,010 | 6,961 | 51,028 | - | - | 6,062,404 |
| Total fund balances | 346,227 | 1,436,251 | 136,191 | 285,164 | 1,348,010 | 6,961 | 51,028 | - | - | 6,912,872 |
| Total liabilities and fund balances | \$ 346,227 | \$ 1,436,251 | \$ 136,191 | \$ 292,664 | \$ 3,400,814 | \$ 6,961 | \$ 51,028 | \$ 867,320 | \$ 1,008,667 | \$ 11,428,065 |

City of Topeka, Kansas
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended December 31, 2010

| | Special Revenue Funds | | | | | | | | | | |
|---|-------------------------------------|-------------------------------|-----------------------------|------------------------|-----------------------------|--------------------|----------------------|------------------|---------------------|---------------------------|--------------------------------|
| | Downtown Improvement District | Special Alcohol Program | Alcohol & Drug Safety | General Improvement | Park Land Acquisition | Law Enforcement | Special Liability | Zoo | Golf Improvement | Transient Guest Tax | Unsafe Structure Removal |
| Revenues: | | | | | | | | | | | |
| Taxes and assessments | \$ 164,898 | \$ - | - | \$ - | \$ - | \$ - | \$ 338,008 | \$ - | \$ - | \$ 1,839,049 | \$ - |
| Licenses and permits | - | - | - | - | 20,837 | 15,500 | - | - | - | - | - |
| Intergovernmental | - | 521,922 | - | - | - | 23,042 | - | - | - | - | - |
| Fees for services | - | - | - | - | - | - | - | - | 20,243 | - | - |
| Municipal Court | - | - | 65,724 | - | - | 117,982 | - | - | - | - | - |
| Interest from investments | 3,062 | - | - | - | - | 896 | - | - | - | - | - |
| Miscellaneous | 44 | - | - | - | - | 216,502 | (642) | - | - | - | - |
| Total revenues | <u>168,004</u> | <u>521,922</u> | <u>65,724</u> | <u>-</u> | <u>20,837</u> | <u>373,922</u> | <u>337,366</u> | <u>-</u> | <u>20,243</u> | <u>1,839,049</u> | <u>-</u> |
| Expenditures: | | | | | | | | | | | |
| General government | 173,543 | - | 39,144 | - | - | - | 300,706 | - | - | 1,404,458 | - |
| Public safety | - | - | - | - | - | 315,091 | - | - | - | - | - |
| Public works | - | - | - | - | - | - | - | - | - | - | - |
| Public works - planning | - | - | - | - | - | - | - | - | - | - | - |
| Parks and recreation | - | - | - | - | - | - | - | - | 10,179 | - | - |
| Public housing | - | - | - | - | - | - | - | - | - | - | - |
| Social services | - | 444,019 | - | - | - | - | - | - | - | - | - |
| Total expenditures | <u>173,543</u> | <u>444,019</u> | <u>39,144</u> | <u>-</u> | <u>-</u> | <u>315,091</u> | <u>300,706</u> | <u>-</u> | <u>10,179</u> | <u>1,404,458</u> | <u>-</u> |
| Excess (deficit) of revenues over (under) expenditures | <u>(5,539)</u> | <u>77,903</u> | <u>26,580</u> | <u>-</u> | <u>20,837</u> | <u>58,831</u> | <u>36,660</u> | <u>-</u> | <u>10,064</u> | <u>434,591</u> | <u>-</u> |
| Other financing sources (uses): | | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | (571,133) | - | - | - | (110,480) | - | (441,367) | (239,707) |
| Sale of property | - | - | - | - | - | 400 | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>(571,133)</u> | <u>-</u> | <u>400</u> | <u>-</u> | <u>(110,480)</u> | <u>-</u> | <u>(441,367)</u> | <u>(239,707)</u> |
| Net change in fund balances | <u>(5,539)</u> | <u>77,903</u> | <u>\$ 26,580</u> | <u>(571,133)</u> | <u>20,837</u> | <u>59,231</u> | <u>36,660</u> | <u>(110,480)</u> | <u>10,064</u> | <u>(6,776)</u> | <u>(239,707)</u> |
| Fund balances - beginning, as restated | <u>37,455</u> | <u>495,735</u> | <u>54,425</u> | <u>571,133</u> | <u>251,453</u> | <u>690,270</u> | <u>1,080,363</u> | <u>110,480</u> | <u>17,950</u> | <u>456,429</u> | <u>239,707</u> |
| Fund balances - ending | <u>\$ 31,916</u> | <u>\$ 573,638</u> | <u>\$ 81,005</u> | <u>\$ -</u> | <u>\$ 272,290</u> | <u>\$ 749,501</u> | <u>\$ 1,117,023</u> | <u>\$ -</u> | <u>\$ 28,014</u> | <u>\$ 449,653</u> | <u>\$ -</u> |

continued...

City of Topeka, Kansas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2010

...continued

| | Special Revenue Funds | | | | | | | Capital Project Fund | Totals 2010 | |
|---|-----------------------|---------------------|-----------------------------|------------------------|---------------------|-------------------------|-------------------|-------------------------------------|----------------|---------------------|
| | Retirement Reserve | KP & F Equalization | Neighborhood Revitalization | Historic Asset Tourism | 1/2 % Sales Tax | Tax Increment Financing | Donations & Gifts | Governmental & Miscellaneous Grants | | Developer Projects |
| Revenues: | | | | | | | | | | |
| Taxes and assessments | \$ - | \$ - | \$ - | \$ - | \$ 7,813,635 | \$ 17,062 | \$ - | \$ - | \$ - | \$ 10,172,652 |
| Licenses and permits | - | - | - | - | - | - | - | - | - | 36,337 |
| Intergovernmental | - | - | - | - | - | - | 1,675 | 8,378,623 | - | 8,925,262 |
| Fees for services | 307,060 | - | - | - | - | - | - | - | - | 327,303 |
| Municipal Court | - | - | - | - | - | - | - | - | - | 183,706 |
| Interest from investments | - | - | - | - | 4,364 | - | - | 3,815 | - | 12,137 |
| Miscellaneous | - | - | 37,166 | - | - | 2,399 | 56,938 | (50,981) | - | 261,426 |
| Total revenues | <u>307,060</u> | <u>-</u> | <u>37,166</u> | <u>-</u> | <u>7,817,999</u> | <u>19,461</u> | <u>58,613</u> | <u>8,331,457</u> | <u>-</u> | <u>19,918,823</u> |
| Expenditures: | | | | | | | | | | |
| General government | 993,296 | - | - | 186,664 | 3,483,647 | 12,500 | - | - | - | 6,593,958 |
| Public safety | - | - | - | - | - | - | 7,585 | 953,375 | - | 1,276,051 |
| Public works | - | - | - | - | - | - | - | 1,505,627 | - | 1,505,627 |
| Public works - planning | - | - | - | - | - | - | - | 319,419 | - | 319,419 |
| Parks and recreation | - | - | - | - | - | - | - | 3,215 | - | 13,394 |
| Public housing | - | - | - | - | - | - | - | 5,446,685 | - | 5,446,685 |
| Social services | - | - | - | - | - | - | - | 103,136 | - | 547,155 |
| Total expenditures | <u>993,296</u> | <u>-</u> | <u>-</u> | <u>186,664</u> | <u>3,483,647</u> | <u>12,500</u> | <u>7,585</u> | <u>8,331,457</u> | <u>-</u> | <u>15,702,289</u> |
| Excess (deficit) of revenues over (under) expenditures | <u>(686,236)</u> | <u>-</u> | <u>37,166</u> | <u>(186,664)</u> | <u>4,334,352</u> | <u>6,961</u> | <u>51,028</u> | <u>-</u> | <u>-</u> | <u>4,216,534</u> |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | - | - | - | 75,169 | - | - | - | - | - | 75,169 |
| Transfers out | - | - | - | - | (8,909,506) | - | - | - | - | (10,272,193) |
| Sale of property | - | - | - | - | - | - | - | - | - | 400 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>75,169</u> | <u>(8,909,506)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(10,196,624)</u> |
| Net change in fund balances | <u>(686,236)</u> | <u>-</u> | <u>37,166</u> | <u>(111,495)</u> | <u>(4,575,154)</u> | <u>6,961</u> | <u>51,028</u> | <u>-</u> | <u>-</u> | <u>(5,980,090)</u> |
| Fund balances - beginning, as restated | 1,032,463 | 1,436,251 | 99,025 | 396,659 | 5,923,164 | - | - | - | - | 12,892,962 |
| Fund balances - ending | <u>\$ 346,227</u> | <u>\$ 1,436,251</u> | <u>\$ 136,191</u> | <u>\$ 285,164</u> | <u>\$ 1,348,010</u> | <u>\$ 6,961</u> | <u>\$ 51,028</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,912,872</u> |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Debt Service Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-----------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes & assessments | | | | |
| Property taxes | \$ 13,842,700 | \$ 13,842,700 | \$ 13,584,101 | \$ (258,599) |
| Motor vehicle ad valorem tax | 1,344,645 | 1,344,645 | 1,312,092 | (32,553) |
| Sales Tax | 281,200 | 281,200 | 148,033 | (133,167) |
| Special assessments | 1,820,000 | 1,820,000 | 1,453,409 | (366,591) |
| Payment in lieu of taxes | 88,369 | 88,369 | 96,346 | 7,977 |
| Interest from investments | 150,000 | 150,000 | 183,000 | 33,000 |
| Total revenues | <u>17,526,914</u> | <u>17,526,914</u> | <u>16,776,981</u> | <u>(749,933)</u> |
| Expenditures | | | | |
| Debt Service: | | | | |
| Principal | 14,175,000 | 14,175,000 | 13,510,789 | 664,211 |
| Interest and fiscal costs | 8,101,507 | 8,101,507 | 7,799,885 | 301,622 |
| Total expenditures | <u>22,276,507</u> | <u>22,276,507</u> | <u>21,310,674</u> | <u>965,833</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(4,749,593)</u> | <u>(4,749,593)</u> | <u>(4,533,693)</u> | <u>215,900</u> |
| Other Financing Sources (Uses) | | | | |
| Original issuance of debt | - | - | 5,805,000 | 5,805,000 |
| Original issuance of debt premium | - | - | 50,720 | 50,720 |
| Refunding issuance of debt | - | - | 34,830,000 | 34,830,000 |
| Refunding issuance of debt premium | - | - | 17,564 | 17,564 |
| Refunding issuance of debt discount | - | - | (50,996) | (50,996) |
| Payment for refunding bond escrow agent | - | - | (37,015,000) | (37,015,000) |
| Payment for refunding bond interest | - | - | (2,638,394) | (2,638,394) |
| Payment for refunding redemption premium | - | - | (149,950) | (149,950) |
| Transfers in | 3,694,949 | 3,694,949 | 6,497,364 | 2,802,415 |
| Total other financing sources | <u>3,694,949</u> | <u>3,694,949</u> | <u>7,346,308</u> | <u>3,651,359</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (1,054,644)</u> | <u>\$ (1,054,644)</u> | 2,812,615 | <u>\$ 3,867,259</u> |
| Beginning fund balance | | | <u>6,749,235</u> | |
| Fund balance - end of year - budget basis | | | 9,561,850 | |
| Adjustments: | | | | |
| Encumbrances | | | - | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 9,561,850</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Downtown Improvement District Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|----------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes & assessments | \$ 181,865 | \$ 181,865 | \$ 164,898 | \$ (16,967) |
| Interest on investments | - | - | 44 | 44 |
| Miscellaneous | - | - | 3,062 | 3,062 |
| Total revenues | <u>181,865</u> | <u>181,865</u> | <u>168,004</u> | <u>(13,861)</u> |
| Expenditures | | | | |
| General Government | <u>181,865</u> | <u>181,865</u> | <u>173,543</u> | <u>8,322</u> |
| Total expenditures | <u>181,865</u> | <u>181,865</u> | <u>173,543</u> | <u>8,322</u> |
| Excess of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>(5,539)</u> | <u>(5,539)</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ -</u> | <u>\$ -</u> | <u>(5,539)</u> | <u>\$ (5,539)</u> |
| Beginning fund balance | | | <u>37,455</u> | |
| Fund balance - end of year - budget basis | | | 31,916 | |
| Adjustments: | | | | |
| Encumbrances | | | - | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 31,916</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Alcohol Program Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental Revenue | \$ 524,690 | \$ 524,690 | \$ 521,922 | \$ (2,768) |
| Total revenues | <u>524,690</u> | <u>524,690</u> | <u>521,922</u> | <u>(2,768)</u> |
| Expenditures | | | | |
| Social Services | 575,000 | 575,000 | 451,107 | 123,893 |
| Total expenditures | <u>575,000</u> | <u>575,000</u> | <u>451,107</u> | <u>123,893</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(50,310)</u> | <u>(50,310)</u> | <u>70,815</u> | <u>121,125</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (50,310)</u> | <u>\$ (50,310)</u> | 70,815 | <u>\$ 121,125</u> |
| Beginning fund balance | | | <u>495,735</u> | |
| Fund balance - end of year - budget basis | | | 566,550 | |
| Adjustments: | | | | |
| Encumbrances | | | 7,088 | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 573,638</u> | |
| Net change in fund balance - budget basis | | | \$ 70,815 | |
| Adjustments: | | | | |
| Encumbrances - beginning of year | | | - | |
| Encumbrances - end of year | | | 7,088 | |
| Net change in fund balance - GAAP basis | | | <u>\$ 77,903</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Alcohol and Drug Safety Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Municipal Court | \$ 228,471 | \$ 228,471 | \$ 65,724 | \$ (162,747) |
| Total revenues | <u>228,471</u> | <u>228,471</u> | <u>65,724</u> | <u>(162,747)</u> |
| Expenditures | | | | |
| General Government: | | | | |
| Municipal Court | 61,105 | 61,105 | 39,234 | 21,871 |
| Total expenditures | <u>61,105</u> | <u>61,105</u> | <u>39,234</u> | <u>21,871</u> |
| Excess of Revenues Over (Under) Expenditures | <u>167,366</u> | <u>167,366</u> | <u>26,490</u> | <u>(140,876)</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ 167,366</u> | <u>\$ 167,366</u> | 26,490 | <u>\$ (140,876)</u> |
| Beginning fund balance | | | <u>54,425</u> | |
| Fund balance - end of year - budget basis | | | 80,915 | |
| Adjustments: | | | | |
| Encumbrances | | | 90 | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 81,005</u> | |
| Net change in fund balance - budget basis | | | \$ 26,490 | |
| Adjustments: | | | | |
| Encumbrances - beginning of year | | | - | |
| Encumbrances - end of year | | | 90 | |
| Net change in fund balance - GAAP basis | | | <u>\$ 26,580</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Improvement Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes & assessments | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | | |
| General Government | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (390,628) | (390,628) | (571,133) | (180,505) |
| Total other financing sources (uses) | <u>(390,628)</u> | <u>(390,628)</u> | <u>(571,133)</u> | <u>(180,505)</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (390,628)</u> | <u>\$ (390,628)</u> | (571,133) | <u>\$ (180,505)</u> |
| Beginning fund balance | | | <u>571,133</u> | |
| Fund balance - end of year - budget basis | | | - | |
| Adjustments: | | | | |
| Encumbrances | | | - | |
| Fund balance - end of year - GAAP basis | | | <u>\$ -</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Park Land Acquisition Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Licenses & Permits | \$ 65,000 | \$ 65,000 | \$ 20,837 | \$ (44,163) |
| Total revenues | <u>65,000</u> | <u>65,000</u> | <u>20,837</u> | <u>(44,163)</u> |
| Expenditures | | | | |
| Parks and Recreation | 306,125 | 306,125 | - | 306,125 |
| Total expenditures | <u>306,125</u> | <u>306,125</u> | <u>-</u> | <u>306,125</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(241,125)</u> | <u>(241,125)</u> | <u>20,837</u> | <u>261,962</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (241,125)</u> | <u>\$ (241,125)</u> | 20,837 | <u>\$ 261,962</u> |
| Beginning fund balance | | | <u>251,453</u> | |
| Fund balance - end of year - budget basis | | | 272,290 | |
| Adjustments: | | | | |
| Encumbrances | | | - | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 272,290</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Law Enforcement Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental Revenue | \$ 70,000 | \$ 70,000 | \$ 23,042 | \$ (46,958) |
| Municipal Court | 100,000 | 100,000 | 117,982 | 17,982 |
| Licenses, permits and franchise fees | 15,000 | 15,000.00 | 15,500 | 500 |
| Interest | 5,000 | 5,000 | 896 | (4,104) |
| Miscellaneous | 392,373 | 392,373 | 216,502 | (175,871) |
| Total revenues | <u>582,373</u> | <u>582,373</u> | <u>373,922</u> | <u>(208,451)</u> |
| Expenditures | | | | |
| Public Safety: | | | | |
| Police | <u>400,000</u> | <u>400,000</u> | <u>400,803</u> | <u>(803)</u> |
| Total expenditures | <u>400,000</u> | <u>400,000</u> | <u>400,803</u> | <u>(803)</u> |
| Excess of Revenues Over (Under) Expenditures | <u>182,373</u> | <u>182,373</u> | <u>(26,881)</u> | <u>(209,254)</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of property | <u>-</u> | <u>-</u> | <u>400</u> | <u>400</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>400</u> | <u>400</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ 182,373</u> | <u>\$ 182,373</u> | <u>(26,481)</u> | <u>\$ (208,854)</u> |
| Beginning fund balance | | | <u>687,470</u> | |
| Fund balance - end of year - budget basis | | | 660,989 | |
| Adjustments: | | | | |
| Encumbrances | | | <u>88,512</u> | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 749,501</u> | |
| Net change in fund balance - budget basis | | | \$ (26,481) | |
| Adjustments: | | | | |
| Encumbrances - beginning of year | | | (2,800) | |
| Encumbrances - end of year | | | <u>88,512</u> | |
| Net change in fund balance - GAAP basis | | | <u>\$ 59,231</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Liability Expense Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes & assessments | \$ 332,432 | \$ 332,432 | \$ 338,008 | \$ 5,576 |
| Miscellaneous | - | - | (642) | (642) |
| Total revenues | <u>332,432</u> | <u>332,432</u> | <u>337,366</u> | <u>4,934</u> |
| Expenditures | | | | |
| General Government | 785,470 | 785,470 | 343,876 | 441,594 |
| Total expenditures | <u>785,470</u> | <u>785,470</u> | <u>343,876</u> | <u>441,594</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(453,038)</u> | <u>(453,038)</u> | <u>(6,510)</u> | <u>446,528</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (453,038)</u> | <u>\$ (453,038)</u> | (6,510) | <u>\$ 446,528</u> |
| Beginning fund balance | | | <u>1,047,586</u> | |
| Fund balance - end of year - budget basis | | | 1,041,076 | |
| Adjustments: | | | | |
| Encumbrances | | | 75,947 | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 1,117,023</u> | |
| Net change in fund balance - budget basis | | | \$ (6,510) | |
| Adjustments: | | | | |
| Encumbrances - beginning of year | | | (32,777) | |
| Encumbrances - end of year | | | 75,947 | |
| Net change in fund balance - GAAP basis | | | <u>\$ 36,660</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Zoo Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes & assessments | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | | |
| Zoo | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (168,865) | (168,865) | (110,480) | 58,385 |
| Total other financing sources | <u>(168,865)</u> | <u>(168,865)</u> | <u>(110,480)</u> | <u>58,385</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (168,865)</u> | <u>\$ (168,865)</u> | (110,480) | <u>\$ 58,385</u> |
| Beginning fund balance | | | <u>110,480</u> | |
| Fund balance - end of year - budget basis | | | - | |
| Adjustments: | | | | |
| Encumbrances | | | - | |
| Fund balance - end of year - GAAP basis | | | <u>\$ -</u> | |

This fund was closed into the General Fund.

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Golf Course Improvement Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Fees For Service | \$ 20,000 | \$ 20,000 | \$ 20,243 | \$ 243 |
| Total revenues | <u>20,000</u> | <u>20,000</u> | <u>20,243</u> | <u>243</u> |
| Expenditures | | | | |
| Parks and recreation: | | | | |
| Golf | 77,003 | 77,003 | 10,179 | 66,824 |
| Total expenditures | <u>77,003</u> | <u>77,003</u> | <u>10,179</u> | <u>66,824</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(57,003)</u> | <u>(57,003)</u> | <u>10,064</u> | <u>67,067</u> |
| Excess of Revenues and Other Sources | | | | |
| Over Expenditures and Other Uses | <u>\$ (57,003)</u> | <u>\$ (57,003)</u> | 10,064 | <u>\$ 67,067</u> |
| Beginning fund balance | | | <u>17,950</u> | |
| Fund balance - end of year - budget basis | | | 28,014 | |
| Adjustments: | | | | |
| Encumbrances | | | - | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 28,014</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Transient Guest Tax Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes & assessments | \$ 1,950,000 | \$ 1,950,000 | \$ 1,839,049 | \$ (110,951) |
| Total revenues | <u>1,950,000</u> | <u>1,950,000</u> | <u>1,839,049</u> | <u>(110,951)</u> |
| Expenditures | | | | |
| General Government | 1,629,000 | 1,629,000 | 1,406,500 | 222,500 |
| Total expenditures | <u>1,629,000</u> | <u>1,629,000</u> | <u>1,406,500</u> | <u>222,500</u> |
| Excess of Revenues Over (Under) Expenditures | <u>321,000</u> | <u>321,000</u> | <u>432,549</u> | <u>111,549</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (522,300) | (522,300) | (441,367) | 80,933 |
| Total other financing sources (uses) | <u>(522,300)</u> | <u>(522,300)</u> | <u>(441,367)</u> | <u>80,933</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (201,300)</u> | <u>\$ (201,300)</u> | (8,818) | <u>\$ 192,482</u> |
| Beginning fund balance | | | <u>64,804</u> | |
| Fund balance - end of year - budget basis | | | 55,986 | |
| Adjustments: | | | | |
| Encumbrances | | | 393,667 | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 449,653</u> | |
| Net change in fund balance - budget basis | | | \$ (8,818) | |
| Adjustments: | | | | |
| Encumbrances - beginning of year | | | (391,625) | |
| Encumbrances - end of year | | | 393,667 | |
| Net change in fund balance - GAAP basis | | | <u>\$ (6,776)</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Unsafe Structure Removal Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes & assessments | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | | |
| General Government | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (184,284) | (184,284) | (239,707) | (55,423) |
| Total other financing sources (uses) | <u>(184,284)</u> | <u>(184,284)</u> | <u>(239,707)</u> | <u>(55,423)</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (184,284)</u> | <u>\$ (184,284)</u> | (239,707) | <u>\$ (55,423)</u> |
| Beginning fund balance | | | <u>239,707</u> | |
| Fund balance - end of year - budget basis | | | - | |
| Adjustments: | | | | |
| Encumbrances | | | - | |
| Fund balance - end of year - GAAP basis | | | <u>\$ -</u> | |

This fund was closed into the General Fund.

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Retirement Reserve Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Fees For Service | \$ 315,000 | \$ 315,000 | \$ 307,060 | \$ (7,940) |
| Total revenues | <u>315,000</u> | <u>315,000</u> | <u>307,060</u> | <u>(7,940)</u> |
| Expenditures | | | | |
| General Government | 700,000 | 977,910 | 993,296 | (15,386) |
| Total expenditures | <u>700,000</u> | <u>977,910</u> | <u>993,296</u> | <u>(15,386)</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(385,000)</u> | <u>(662,910)</u> | <u>(686,236)</u> | <u>(23,326)</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (385,000)</u> | <u>\$ (662,910)</u> | (686,236) | <u>\$ (23,326)</u> |
| Beginning fund balance | | | <u>1,032,463</u> | |
| Fund balance - end of year - budget basis | | | 346,227 | |
| Adjustments: | | | | |
| Encumbrances | | | - | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 346,227</u> | |

As per Ordinance 19490 The expenditure level was increased by \$277,910. The excess will come from the fund balance.

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
KP & F Equalization Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Fees For Service | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | | |
| Public Safety | 450,000 | 450,000 | - | 450,000 |
| Total expenditures | <u>450,000</u> | <u>450,000</u> | <u>-</u> | <u>450,000</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(450,000)</u> | <u>(450,000)</u> | <u>-</u> | <u>450,000</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (450,000)</u> | <u>\$ (450,000)</u> | <u>-</u> | <u>\$ 450,000</u> |
| Beginning fund balance | | | <u>1,436,251</u> | |
| Fund balance - end of year - budget basis | | | 1,436,251 | |
| Adjustments: | | | | |
| Encumbrances | | | - | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 1,436,251</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Neighborhood Revitalization Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental Revenue | \$ 37,000 | \$ 37,000 | \$ 37,166 | \$ 166 |
| Total revenues | <u>37,000</u> | <u>37,000</u> | <u>37,166</u> | <u>166</u> |
| Expenditures | | | | |
| General Government | 90,840 | 90,840 | - | 90,840 |
| Total expenditures | <u>90,840</u> | <u>90,840</u> | <u>-</u> | <u>90,840</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(53,840)</u> | <u>(53,840)</u> | <u>37,166</u> | <u>91,006</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (53,840)</u> | <u>\$ (53,840)</u> | 37,166 | <u>\$ 91,006</u> |
| Beginning fund balance | | | <u>99,025</u> | |
| Fund balance - end of year - budget basis | | | 136,191 | |
| Adjustments: | | | | |
| Encumbrances | | | - | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 136,191</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Historic Asset Tourism Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes & assessments | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | | |
| General Government | 278,162 | 278,162 | 243,331 | 34,831 |
| Total expenditures | <u>278,162</u> | <u>278,162</u> | <u>243,331</u> | <u>34,831</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(278,162)</u> | <u>(278,162)</u> | <u>(243,331)</u> | <u>34,831</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 120,800 | 120,800 | 75,169 | (45,631) |
| Total other financing sources | <u>120,800</u> | <u>120,800</u> | <u>75,169</u> | <u>(45,631)</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (157,362)</u> | <u>\$ (157,362)</u> | (168,162) | <u>\$ (10,800)</u> |
| Beginning fund balance | | | <u>168,162</u> | |
| Fund balance - end of year - budget basis | | | - | |
| Adjustments: | | | | |
| Encumbrances | | | <u>285,164</u> | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 285,164</u> | |
| Net change in fund balance - budget basis | | | \$ (168,162) | |
| Adjustments: | | | | |
| Encumbrances - beginning of year | | | (228,497) | |
| Encumbrances - end of year | | | <u>285,164</u> | |
| Net change in fund balance - GAAP basis | | | <u>\$ (111,495)</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
1/2 % Sales Tax Fund
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-----------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes & assessments | \$ 7,956,000 | \$ 7,956,000 | \$ 7,813,635 | \$ (142,365) |
| Interest on investments | - | - | 4,364 | 4,364 |
| Total revenues | <u>7,956,000</u> | <u>7,956,000</u> | <u>7,817,999</u> | <u>(138,001)</u> |
| Expenditures | | | | |
| General Government | <u>6,350,190</u> | <u>6,350,190</u> | <u>3,483,647</u> | <u>2,866,543</u> |
| Total expenditures | <u>6,350,190</u> | <u>6,350,190</u> | <u>3,483,647</u> | <u>2,866,543</u> |
| Excess of Revenues Over (Under) Expenditures | <u>1,605,810</u> | <u>1,605,810</u> | <u>4,334,352</u> | <u>2,728,542</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | <u>(3,694,949)</u> | <u>(3,694,949)</u> | <u>(8,909,506)</u> | <u>(5,214,557)</u> |
| Total other financing sources (uses) | <u>(3,694,949)</u> | <u>(3,694,949)</u> | <u>(8,909,506)</u> | <u>(5,214,557)</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ (2,089,139)</u> | <u>\$ (2,089,139)</u> | <u>(4,575,154)</u> | <u>\$ (2,486,015)</u> |
| Beginning fund balance, as restated | | | <u>5,923,164</u> | |
| Fund balance - end of year - budget basis | | | 1,348,010 | |
| Adjustments: | | | | |
| Encumbrances | | | - | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 1,348,010</u> | |

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Tax Increment Financing
For the Year Ended December 31, 2010

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes & assessments | \$ - | \$ 12,442 | \$ 17,062 | \$ 4,620 |
| Miscellaneous | - | - | 2,399 | 2,399 |
| Total revenues | <u>-</u> | <u>12,442</u> | <u>19,461</u> | <u>7,019</u> |
| Expenditures | | | | |
| General Government | - | 12,442 | 12,500 | (58) |
| Total expenditures | <u>-</u> | <u>12,442</u> | <u>12,500</u> | <u>(58)</u> |
| Excess of Revenues Over (Under) Expenditures | <u>-</u> | <u>-</u> | <u>6,961</u> | <u>6,961</u> |
| Excess of Revenues and Other Sources Over Expenditures and Other Uses | <u>\$ -</u> | <u>\$ -</u> | 6,961 | <u>\$ 6,961</u> |
| Beginning fund balance | | | <u>-</u> | |
| Fund balance - end of year - budget basis | | | 6,961 | |
| Adjustments: | | | | |
| Encumbrances | | | - | |
| Fund balance - end of year - GAAP basis | | | <u>\$ 6,961</u> | |

As per Ordinance 19490 the expenditure level was increased by \$12,442. The excess will come from an increase of revenues.

City of Topeka, Kansas
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
From Inception and for the Year Ended December 31, 2010

| | <u>Prior Years</u> | <u>Current Year</u> | <u>Total to Date</u> | <u>Project Authorization</u> |
|---|------------------------|-------------------------|--------------------------|----------------------------------|
| Revenues | | | | |
| Taxes & service assessments | \$ 401,440 | \$ (2,399) | \$ 399,041 | \$ - |
| Special assessments with debt commitments | (370,687) | 370,687 | - | - |
| Intergovernmental revenue | 1,448,799 | 756,974 | 2,205,773 | 3,882,731 |
| Miscellaneous income | 742,099 | 580,672 | 1,322,771 | - |
| Total revenues | <u>2,221,651</u> | <u>1,705,934</u> | <u>3,927,585</u> | <u>3,882,731</u> |
| Expenditures | | | | |
| Construction: | 25,429,466 | 11,552,787 | 36,982,253 | 64,526,357 |
| Interest | 1,212,993 | 404,807 | 1,617,800 | 3,018,972 |
| Engineering and others | 7,482,232 | 2,155,206 | 9,637,438 | 29,522,953 |
| Total expenditures | <u>34,124,691</u> | <u>14,112,800</u> | <u>48,237,491</u> | <u>97,068,282</u> |
| Excess (deficit) of revenues over (under) expenditures | <u>(31,903,040)</u> | <u>(12,406,866)</u> | <u>(44,309,906)</u> | <u>(93,185,551)</u> |
| Other financing sources (uses) | | | | |
| Original issuance of debt | 11,737,114 | 6,220,000 | 17,957,114 | 93,185,551 |
| Original issuance of debt premium | 11,324 | 5,652 | 16,976 | - |
| Original issuance of debt discount | (14,447) | - | (14,447) | - |
| Transfer in | 6,192,646 | 5,540,000 | 11,732,646 | - |
| Transfer Out | (5,903,289) | (3,039,727) | (8,943,016) | - |
| Total other financing sources (uses) | <u>12,023,348</u> | <u>8,725,925</u> | <u>20,749,273</u> | <u>93,185,551</u> |
| Net change in fund balance | <u>\$ (19,879,692)</u> | <u>(3,680,941)</u> | <u>\$ (23,560,633)</u> | <u>\$ -</u> |
| Fund balance (deficit) - beginning, as restated | | <u>(11,159,441)</u> | | |
| Fund balance (deficit) - ending | | <u>\$ (14,840,382)</u> | | |

Note: Prior year amounts will be different from the prior year CAFR, due to closing projects and reclassing projects to other funds.

Reported on GAAP basis only

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by governmental units in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. All City of Topeka fiduciary funds are Agency Funds.

| <u>FUND NAME</u> | <u>STATUTORY AUTHORITY</u> | <u>PURPOSE</u> |
|---------------------------------------|--|---|
| Topeka Metropolitan Transit Authority | Topeka City Code Section A9-2 | Receives, holds, and pays to the TMTA the proceeds of a special tax collected by the City for the benefit of that entity. |
| Payroll Clearing | Administrative | Accounts for receipts and disbursements of the City payroll withholding amounts, such as income taxes. |
| Court Bond | Administrative | Receives, holds, and disburses bonds posted by individuals at the Municipal Court. |
| Softball Trust Fund | Topeka City Ordinance # 16269 repealed by Ordinance 19291 Resolution 7996 | Collects a portion of softball league registration fees to be paid to Topeka Park & Recreation Foundation for future improvements to City softball facilities. |
| Fire Insurance Proceeds | Topeka Ordinance #16276 | Temporarily and partially restricts the payment of insurance proceeds on fire damaged buildings to the insured until certain health and building code conditions are met. |
| Law Enforcement Trust | K.S.A. 28-172a; K.S.A. 13-14a02, K.S.A. 60-4100, K.S.A. 74-5607 | Holds Federal and State seized monies until cases are settled and then funds are dispersed properly. |
| Municipal Court Trust | K.S.A 12-4116 & Topeka Ordinance #16635; K.S.A. 75-5670; K.S.A. 74-5607 & K.S.A. 28-172a | Fees are collected on cases filed in Municipal Court, which are mandated by the State, for judicial education and training of judges, administering the statewide trauma system, to maintain the State law enforcement training center, and collects motor vehicle reinstatement fees. All of the funds collected are remitted to the State on a monthly basis. |
| Water Customer Round Up | Administrative | Utility mutual assistance fund that passes the money derived from customers who offer to round up their payments to assist others. |

City of Topeka, Kansas
Statement of Fiduciary Net Assets
Combined Fiduciary Funds
December 31, 2010

| | <u>Topeka Metropolitan Transit Authority</u> | <u>Payroll Clearing</u> | <u>Court Bond</u> | <u>Softball Trust Fund</u> | <u>Fire Insurance Proceeds</u> | <u>Law Enforcement</u> | <u>Municipal Court Trust</u> | <u>Water Customer Round-Up</u> | <u>Totals 2010</u> |
|--|--|-----------------------------|-----------------------|--------------------------------|--|----------------------------|--------------------------------------|--|------------------------|
| Assets | | | | | | | | | |
| Cash and equity in Treasurer's Fund | \$ - | \$ - | \$ 65,864 | \$ - | \$ 27,705 | \$ 318,279 | \$ 35,102 | \$ 8,462 | \$ 455,412 |
| Receivables (net of allowance for uncollectibles): | | | | | | | | | |
| Accounts receivable | - | 5 | - | - | - | - | - | 1,076 | 1,081 |
| Total assets | <u>\$ -</u> | <u>\$ 5</u> | <u>\$ 65,864</u> | <u>\$ -</u> | <u>\$ 27,705</u> | <u>\$ 318,279</u> | <u>\$ 35,102</u> | <u>\$ 9,538</u> | <u>\$ 456,493</u> |
| Liabilities | | | | | | | | | |
| Due to other governments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 35,102 | \$ - | \$ 35,102 |
| Due to others | - | 5 | 65,864 | - | 27,705 | 318,279 | - | 9,538 | 421,391 |
| Total liabilities | <u>\$ -</u> | <u>\$ 5</u> | <u>\$ 65,864</u> | <u>\$ -</u> | <u>\$ 27,705</u> | <u>\$ 318,279</u> | <u>\$ 35,102</u> | <u>\$ 9,538</u> | <u>\$ 456,493</u> |

City of Topeka, Kansas
Combining Statement of Changes in Assets and Liabilities - Agency Funds
Fiduciary Funds
For the Year ended December 31, 2010

| | Balance 31-Dec 2009 | Additions | Deductions | Balance 31-Dec 2010 |
|--|---------------------------|----------------------|----------------------|---------------------------|
| Topeka Metropolitan Transit Authority | | | | |
| ASSETS | | | | |
| Cash and equity in Treasurer's Fund | \$ - | \$ 4,614,397 | \$ 4,614,397 | \$ - |
| Total Assets | <u>\$ -</u> | <u>\$ 4,614,397</u> | <u>\$ 4,614,397</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| Accounts and contracts payable | \$ - | \$ 4,614,397 | \$ 4,614,397 | \$ - |
| Total Liabilities | <u>\$ -</u> | <u>\$ 4,614,397</u> | <u>\$ 4,614,397</u> | <u>\$ -</u> |
| Payroll Clearing | | | | |
| ASSETS | | | | |
| Cash and equity in Treasurer's Fund | \$ 4,037 | \$ 11,523,835 | \$ 11,527,872 | \$ - |
| Accounts receivable | - | 33 | 28 | 5 |
| Total Assets | <u>\$ 4,037</u> | <u>\$ 11,523,868</u> | <u>\$ 11,527,900</u> | <u>\$ 5</u> |
| LIABILITIES | | | | |
| Accounts and contracts payable | \$ 3,842 | \$ 6,668 | \$ 2,826 | \$ - |
| Due to other funds | - | - | 2,515 | 2,515 |
| Due to other governments | - | 5,979,249 | 5,979,247 | (2) |
| Due to others | 195 | 5,556,873 | 5,554,170 | (2,508) |
| Total Liabilities | <u>\$ 4,037</u> | <u>\$ 11,542,790</u> | <u>\$ 11,538,758</u> | <u>\$ 5</u> |
| Court Bond | | | | |
| ASSETS | | | | |
| Cash and equity in Treasurer's Fund | \$ 99,707 | \$ 321,483 | \$ 355,326 | \$ 65,864 |
| Total Assets | <u>\$ 99,707</u> | <u>\$ 321,483</u> | <u>\$ 355,326</u> | <u>\$ 65,864</u> |
| LIABILITIES | | | | |
| Accounts and contracts payable | \$ 118 | \$ 788 | \$ 670 | \$ - |
| Due to others | 99,589 | 354,688 | 320,963 | 65,864 |
| Total Liabilities | <u>\$ 99,707</u> | <u>\$ 355,476</u> | <u>\$ 321,633</u> | <u>\$ 65,864</u> |
| Softball Trust Fund | | | | |
| ASSETS | | | | |
| Cash and equity in Treasurer's Fund | \$ - | \$ 15,840 | \$ 15,840 | \$ - |
| Total Assets | <u>\$ -</u> | <u>\$ 15,840</u> | <u>\$ 15,840</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| Accounts and contracts payable | \$ - | \$ 15,840 | \$ 15,840 | \$ - |
| Total Liabilities | <u>\$ -</u> | <u>\$ 15,840</u> | <u>\$ 15,840</u> | <u>\$ -</u> |
| Fire Insurance Proceeds | | | | |
| ASSETS | | | | |
| Cash and equity in Treasurer's Fund | \$ 12,420 | \$ 93,268 | \$ 77,983 | \$ 27,705 |
| Total Assets | <u>\$ 12,420</u> | <u>\$ 93,268</u> | <u>\$ 77,983</u> | <u>\$ 27,705</u> |
| LIABILITIES | | | | |
| Accounts and contracts payable | \$ 12,420 | \$ 12,420 | \$ - | \$ - |
| Due to others | - | 65,563 | 93,268 | 27,705 |
| Total Liabilities | <u>\$ 12,420</u> | <u>\$ 77,983</u> | <u>\$ 93,268</u> | <u>\$ 27,705</u> |
| Law Enforcement Trust | | | | |
| ASSETS | | | | |
| Cash and equity in Treasurer's Fund | \$ 386,131 | \$ 326,579 | \$ 394,431 | \$ 318,279 |
| Accounts receivable | - | - | - | - |
| Total Assets | <u>\$ 386,131</u> | <u>\$ 326,579</u> | <u>\$ 394,431</u> | <u>\$ 318,279</u> |
| LIABILITIES | | | | |
| Accounts and contracts payable | \$ 24,184 | \$ 24,184 | \$ - | \$ - |
| Salaries & wages payable | - | - | - | - |
| Due to others | 361,947 | 369,024 | 325,356 | 318,279 |
| Other current liabilities | - | - | - | - |
| Total Liabilities | <u>\$ 386,131</u> | <u>\$ 393,208</u> | <u>\$ 325,356</u> | <u>\$ 318,279</u> |

continued...

City of Topeka, Kansas
Combining Statement of Changes in Assets and Liabilities - Agency Funds
Fiduciary Funds
For the Year ended December 31, 2010

| | Balance 31-Dec 2009 | Additions | Deductions | Balance 31-Dec 2010 |
|-------------------------------------|---------------------------|----------------------|----------------------|---------------------------|
| <i>...continued</i> | | | | |
| Municipal Court Trust | | | | |
| ASSETS | | | | |
| Cash and equity in Treasurer's Fund | \$ 22,312 | \$ 190,247 | \$ 177,457 | \$ 35,102 |
| Total Assets | <u>\$ 22,312</u> | <u>\$ 190,247</u> | <u>\$ 177,457</u> | <u>\$ 35,102</u> |
| LIABILITIES | | | | |
| Due to others | \$ 22,312 | \$ 202,252 | \$ 215,042 | \$ 35,102 |
| Total Liabilities | <u>\$ 22,312</u> | <u>\$ 202,252</u> | <u>\$ 215,042</u> | <u>\$ 35,102</u> |
| Water Customer Round-UP | | | | |
| ASSETS | | | | |
| Cash and equity in Treasurer's Fund | \$ 6,820 | \$ 19,905 | \$ 18,263 | \$ 8,462 |
| Accounts receivable | 939 | 5,826 | 5,689 | 1,076 |
| Total Assets | <u>\$ 7,759</u> | <u>\$ 25,731</u> | <u>\$ 23,952</u> | <u>\$ 9,538</u> |
| LIABILITIES | | | | |
| Due to others | \$ 7,759 | \$ 78,666 | \$ 80,445 | \$ 9,538 |
| Total Liabilities | <u>\$ 7,759</u> | <u>\$ 78,666</u> | <u>\$ 80,445</u> | <u>\$ 9,538</u> |
| Total Agency Funds | | | | |
| ASSETS | | | | |
| Cash and equity in Treasurer's Fund | \$ 531,427 | \$ 17,105,554 | \$ 17,181,569 | \$ 455,412 |
| Accounts receivable | 939 | 5,859 | 5,717 | 1,081 |
| Total Assets | <u>\$ 532,366</u> | <u>\$ 17,111,413</u> | <u>\$ 17,187,286</u> | <u>\$ 456,493</u> |
| LIABILITIES | | | | |
| Accounts and contracts payable | \$ 40,564 | \$ 4,674,297 | \$ 4,633,733 | \$ - |
| Due to other funds | - | - | 2,515 | 2,515 |
| Due to other governments | - | 5,979,249 | 5,979,247 | (2) |
| Due to others | 491,802 | 6,627,066 | 6,589,244 | 453,980 |
| Total Liabilities | <u>\$ 532,366</u> | <u>\$ 17,280,612</u> | <u>\$ 17,204,739</u> | <u>\$ 456,493</u> |

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

| | | |
|------------------------------|---------------------------------|--|
| Public Parking Facilities | K.S.A. 13-1379 | Accounts for assets, liabilities, revenues, and expenses in the operation and maintenance of the City's public parking meters and facilities. |
| Public Golf Course | Topeka City Code Section 29-207 | This account will eventually be closed out once all assets and liabilities are cleared. Operations are conducted by an outside organization which is accounted for under Parks and Recreation. Parks and Recreation was moved to the General Fund in 2010. |

City of Topeka, Kansas
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2010

| | Public Parking Facilities | Public Golf Course | Total |
|---|---------------------------------|--------------------------|---------------------|
| <u>Assets</u> | | | |
| Current assets: | | | |
| Cash and equity in Treasurer's Fund | \$ 1,410,187 | \$ - | \$ 1,410,187 |
| Receivables, net: | | | |
| Accounts | 47,062 | - | 47,062 |
| Due from other funds | 1,770 | - | 1,770 |
| Prepays | 3,774 | - | 3,774 |
| Restricted cash and equity in Treasurer's Fund | 319,987 | - | 319,987 |
| Total current assets | <u>1,782,780</u> | <u>-</u> | <u>1,782,780</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Not being depreciated | 1,076,225 | - | 1,076,225 |
| Being depreciated, net of depreciation | 18,007,383 | - | 18,007,383 |
| Bond issuance cost | 200,004 | - | 200,004 |
| Total noncurrent assets | <u>19,283,612</u> | <u>-</u> | <u>19,283,612</u> |
| Total assets | <u>21,066,392</u> | <u>-</u> | <u>21,066,392</u> |
| <u>Liabilities</u> | | | |
| Current liabilities: | | | |
| Accounts payable | 34,541 | - | 34,541 |
| Accrued payroll and benefits | 13,116 | - | 13,116 |
| Due to other funds | - | 323,189 | 323,189 |
| Current liabilities (payable from restricted assets): | | | |
| General obligation bonds payable | 314,186 | - | 314,186 |
| Compensated absences | 10,194 | - | 10,194 |
| Total current liabilities: | <u>372,037</u> | <u>323,189</u> | <u>695,226</u> |
| Noncurrent liabilities: | | | |
| General obligation bonds payable | 12,480,917 | - | 12,480,917 |
| Discount on issuance of bonds | (19,473) | - | (19,473) |
| Premium on issuance of bonds | 211,449 | - | 211,449 |
| Compensated absences | 46,995 | - | 46,995 |
| Total noncurrent liabilities | <u>12,719,888</u> | <u>-</u> | <u>12,719,888</u> |
| Total liabilities | <u>13,091,925</u> | <u>323,189</u> | <u>13,415,114</u> |
| <u>Net assets (deficit)</u> | | | |
| Invested in capital assets, net of related debt | 6,096,528 | - | 6,096,528 |
| Restricted for capital projects | 20,000 | - | 20,000 |
| Restricted for sinking funds | 299,987 | - | 299,987 |
| Unrestricted (deficit) | 1,557,952 | (323,189) | 1,234,763 |
| Total net assets (deficit) | <u>\$ 7,974,467</u> | <u>\$ (323,189)</u> | <u>\$ 7,651,278</u> |

City of Topeka, Kansas
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended December 31, 2010

| | Public Parking Facilities | Public Golf Course | Total |
|---|---------------------------------|--------------------------|---------------------|
| Operating revenues: | | | |
| Charges for services | \$ 2,900,271 | \$ - | \$ 2,900,271 |
| Other | 249,123 | - | 249,123 |
| Total operating revenues | <u>3,149,394</u> | <u>-</u> | <u>3,149,394</u> |
| Operating expenses: | | | |
| Personnel services | 750,477 | - | 750,477 |
| Contractual services | 735,043 | - | 735,043 |
| Supplies | 44,352 | - | 44,352 |
| Depreciation | 839,566 | - | 839,566 |
| Bad debt | 640 | - | 640 |
| Payments in lieu of taxes | 384,991 | - | 384,991 |
| Total operating expenses | <u>2,755,069</u> | <u>-</u> | <u>2,755,069</u> |
| Operating income (loss) | <u>394,325</u> | <u>-</u> | <u>394,325</u> |
| Nonoperating revenues (expenses): | | | |
| Interest income | 11,975 | - | 11,975 |
| Interest (expense) | (531,510) | - | (531,510) |
| Gain (loss) on sale of capital assets | 950 | 54,975 | 55,925 |
| Other income (expense) | (523) | - | (523) |
| Total nonoperating revenues (expenses) | <u>(519,108)</u> | <u>54,975</u> | <u>(464,133)</u> |
| Change in net assets | <u>(124,783)</u> | <u>54,975</u> | <u>(69,808)</u> |
| Net assets-beginning of year, as restated | 8,099,250 | (378,164) | 7,721,086 |
| Net assets-end of year | <u>\$ 7,974,467</u> | <u>\$ (323,189)</u> | <u>\$ 7,651,278</u> |

City of Topeka, Kansas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2010

| | Public Parking Facilities | Public Golf Course | Totals |
|--|--|-----------------------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts from customers and users | \$ 3,017,229 | \$ - | \$ 3,017,229 |
| Payments to suppliers | (1,159,683) | - | (1,159,683) |
| Payments to employees | (756,282) | - | (756,282) |
| Other | (1,163) | - | (1,163) |
| Net cash provided (used) by operating activities | <u>1,100,101</u> | <u>-</u> | <u>1,100,101</u> |
| Cash flows from non-capital financing activities | | | |
| Interfund advances | - | (146,108) | (146,108) |
| Net cash provided (used) by non-capital financing activities | <u>-</u> | <u>(146,108)</u> | <u>(146,108)</u> |
| Cash flows from capital and related financing activities | | | |
| Amortization of bond costs | 99,861 | - | 99,861 |
| Discount on issuance of bonds | 521 | - | 521 |
| Premium on issuance of bonds | (10,232) | - | (10,232) |
| Acquisition and construction of capital assets | (155,739) | 91,133 | (64,606) |
| Principal paid on capital debt | (294,211) | - | (294,211) |
| Interest paid on capital debt | (531,510) | - | (531,510) |
| Proceeds from sales of capital assets | 950 | 54,975 | 55,925 |
| Net cash provided (used) by capital and related financing activities | <u>(890,360)</u> | <u>146,108</u> | <u>(744,252)</u> |
| Cash flows from investing activities | | | |
| Interest and dividends received | 11,975 | - | 11,975 |
| Net cash provided by investing activities | <u>11,975</u> | <u>-</u> | <u>11,975</u> |
| Net increase (decrease) in cash and cash equivalents | 221,716 | - | 221,716 |
| Cash and cash equivalents, beginning | 1,508,458 | - | 1,508,458 |
| Cash and cash equivalents, ending | <u>\$ 1,730,174</u> | <u>\$ -</u> | <u>\$ 1,730,174</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ 394,325 | \$ - | \$ 394,325 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 839,566 | - | 839,566 |
| Other non-operating income | (523) | - | (523) |
| Changes in assets and liabilities: | | | |
| Accounts receivable | (130,468) | - | (130,468) |
| Intergovernmental receivables | (1,697) | - | (1,697) |
| Accounts payable | 4,703 | - | 4,703 |
| Accrued liabilities | (5,805) | - | (5,805) |
| Total adjustments | <u>705,776</u> | <u>-</u> | <u>705,776</u> |
| Net cash provided (used) by operating activities | <u>\$ 1,100,101</u> | <u>\$ -</u> | <u>\$ 1,100,101</u> |

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

| <u>FUND NAME</u> | <u>STATUTORY AUTHORITY</u> | <u>PURPOSE</u> |
|--|--------------------------------|---|
| Information Technology | Topeka City Code Section 2-144 | Accounts for assets, liabilities, revenues, and expenses in the operation of the Information Technology Department. |
| Fleet Services | Topeka Ordinance #15665 | Accounts for the assets, liabilities, revenues, and expenses of fleet services for Public Works Department vehicles and also for other City departments' vehicles as needed. |
| Risk Management, includes the following areas: | | |
| Workers' Compensation | K.S.A. 12-2615 | Administered by the Risk Management Division of the Legal Department, provides accountability for expenditures and revenues for workers compensation claims. |
| Vehicle Physical Damage - Self Insurance | K.S.A. 12-2615 | Administered by the Risk Management Division, provides accountability of expenditures and revenues for physical damage to City vehicles and aircraft. |
| Employees Health Insurance | Administrative | Provides fiscal and accounting control for the City Employee Health Self-Insurance Plan. |
| Risk Management Reserve | K.S.A. 12-2615 | Administered by the Risk Management Division of the Legal Department, provides moneys to reimburse the City from insurable losses not otherwise insured. |
| Unemployment Compensation | Administrative | Administered by the Risk Management Division of the Legal Department, established to account for assessments made against compensation paid to City employees, to be used only to reimburse the State for unemployment compensation payments. |

City of Topeka, Kansas
Combining Statement of Net Assets
Internal Service Funds
December 31, 2010

| | Information Technology | Fleet Services | Risk Management | Total |
|---|---------------------------|-------------------|---------------------|---------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and equity in Treasurer's Fund | \$ 551,285 | \$ 789,155 | \$ 8,875,733 | \$ 10,216,173 |
| Receivables, net: | | | | |
| Accounts | - | 868 | - | 868 |
| Due from other funds | - | - | 12,874 | 12,874 |
| Inventory | - | 135,716 | - | 135,716 |
| Prepays | 342,114 | - | 60,000 | 402,114 |
| Total current assets | <u>893,399</u> | <u>925,739</u> | <u>8,948,607</u> | <u>10,767,745</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Being depreciated, net of depreciation | 2,021,918 | 113,248 | - | 2,135,166 |
| Other assets | 6,503 | - | - | 6,503 |
| Total noncurrent assets | <u>2,028,421</u> | <u>113,248</u> | <u>-</u> | <u>2,141,669</u> |
| Total assets | <u>2,921,820</u> | <u>1,038,987</u> | <u>8,948,607</u> | <u>12,909,414</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 77,468 | 83,876 | 62,742 | 224,086 |
| Accrued payroll and benefits | 17,766 | 19,339 | - | 37,105 |
| Leases payable | 702,897 | - | - | 702,897 |
| Self-insurance claims | - | - | 2,240,845 | 2,240,845 |
| Compensated absences | 17,369 | 26,122 | 505 | 43,996 |
| Total current liabilities: | <u>815,500</u> | <u>129,337</u> | <u>2,304,092</u> | <u>3,248,929</u> |
| Noncurrent liabilities: | | | | |
| Leases payable | 1,854,813 | - | - | 1,854,813 |
| Compensated absences | 67,173 | 65,451 | 2,948 | 135,572 |
| Total noncurrent liabilities: | <u>1,921,986</u> | <u>65,451</u> | <u>2,948</u> | <u>1,990,385</u> |
| Total liabilities: | <u>2,737,486</u> | <u>194,788</u> | <u>2,307,040</u> | <u>5,239,314</u> |
| Net assets | | | | |
| Invested in capital assets, net of related debt | (529,289) | 113,248 | - | (416,041) |
| Unrestricted | 713,623 | 730,951 | 6,641,567 | 8,086,141 |
| Total net assets | <u>\$ 184,334</u> | <u>\$ 844,199</u> | <u>\$ 6,641,567</u> | <u>\$ 7,670,100</u> |

City of Topeka, Kansas
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2010

| | Information Technology | Fleet Services | Risk Management | Total |
|---|---------------------------|-------------------|---------------------|---------------------|
| Operating revenues: | | | | |
| Charges for services | \$ 3,413,692 | \$ 1,416,503 | \$ 11,091,894 | \$ 15,922,089 |
| Other | - | 3,473 | 230,414 | 233,887 |
| Total operating revenues | <u>3,413,692</u> | <u>1,419,976</u> | <u>11,322,308</u> | <u>16,155,976</u> |
| Operating expenses: | | | | |
| Personnel services | 1,004,123 | 1,188,271 | 45,964 | 2,238,358 |
| Contractual services | 1,767,554 | 136,895 | 2,672,952 | 4,577,401 |
| Supplies | 105,822 | 35,575 | 92 | 141,489 |
| Depreciation | 812,461 | 21,675 | - | 834,136 |
| Insurance claims | - | - | 10,944,520 | 10,944,520 |
| Other expenses | (44) | (313) | - | (357) |
| Total operating expenses | <u>3,689,916</u> | <u>1,382,103</u> | <u>13,663,528</u> | <u>18,735,547</u> |
| Operating income (loss) | <u>(276,224)</u> | <u>37,873</u> | <u>(2,341,220)</u> | <u>(2,579,571)</u> |
| Nonoperating revenues (expenses): | | | | |
| Franchise fees | 26,110 | - | - | 26,110 |
| Interest income | - | - | 32,330 | 32,330 |
| Interest expense | (84,355) | - | - | (84,355) |
| Other income (expense) | - | (317) | (414) | (731) |
| Total nonoperating revenues (expenses) | <u>(58,245)</u> | <u>(317)</u> | <u>31,916</u> | <u>(26,646)</u> |
| Change in net assets | <u>(334,469)</u> | <u>37,556</u> | <u>(2,309,304)</u> | <u>(2,606,217)</u> |
| Net assets-beginning of year, as restated | 518,803 | 806,643 | 8,950,871 | 10,276,317 |
| Net assets-end of year | <u>\$ 184,334</u> | <u>\$ 844,199</u> | <u>\$ 6,641,567</u> | <u>\$ 7,670,100</u> |

City of Topeka, Kansas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2010

| | Information Technology | Fleet Services | Combined Risk Management | Totals |
|--|-----------------------------------|---------------------------|---|-----------------------|
| Cash flows from operating activities | | | | |
| Receipts from customers and users | \$ 3,413,692 | \$ 1,419,108 | \$ 10,769,773 | \$ 15,602,573 |
| Payments to suppliers | (1,762,412) | (227,781) | (13,260,013) | (15,250,206) |
| Payments to employees | (1,002,966) | (1,192,542) | (48,151) | (2,243,659) |
| Other | 26,154 | (4) | (414) | 25,736 |
| Net cash provided (used) by operating activities: | <u>674,468</u> | <u>(1,219)</u> | <u>(2,538,805)</u> | <u>(1,865,556)</u> |
| Cash flows from capital and related financing activities | | | | |
| Interest expense | (84,355) | - | - | (84,355) |
| Payment of capital lease | (706,905) | - | - | (706,905) |
| Purchases of capital assets | (6,738) | 2 | - | (6,736) |
| Net cash provided (used) by capital and related financing activities: | <u>(797,998)</u> | <u>2</u> | <u>-</u> | <u>(797,996)</u> |
| Cash flows from investing activities | | | | |
| Interest received | - | - | 32,330 | 32,330 |
| Net cash provided by investing activities: | <u>-</u> | <u>-</u> | <u>32,330</u> | <u>32,330</u> |
| Net increase in cash and cash equivalents | (123,530) | (1,217) | (2,506,475) | (2,631,222) |
| Cash and cash equivalents, January 1 | 674,815 | 790,372 | 11,382,208 | 12,847,395 |
| Cash and cash equivalents, December 31 | <u>\$ 551,285</u> | <u>\$ 789,155</u> | <u>\$ 8,875,733</u> | <u>\$ 10,216,173</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ (276,224) | \$ 37,873 | \$ (2,341,220) | \$ (2,579,571) |
| Current portion of long-term debt, net | | | | |
| Other | 26,110 | (317) | (414) | 25,379 |
| Depreciation expense | 812,461 | 21,675 | - | 834,136 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | - | (868) | 51,481 | 50,613 |
| Due from other governments | - | 434 | - | 434 |
| Due from other funds | - | - | (12,407) | (12,407) |
| Inventories | - | (46,471) | - | (46,471) |
| Prepaid items | 74,024 | - | 103,934 | 177,958 |
| Accounts payable | 36,940 | (8,840) | (42,224) | (14,124) |
| Accrued liabilities | 1,157 | (4,271) | 293,654 | 290,540 |
| Deferred Revenue | - | (434) | (591,609) | (592,043) |
| Total adjustments | <u>950,692</u> | <u>(39,092)</u> | <u>(197,585)</u> | <u>714,015</u> |
| Net cash provided (used) by operating activities | <u>\$ 674,468</u> | <u>\$ (1,219)</u> | <u>\$ (2,538,805)</u> | <u>\$ (1,865,556)</u> |