

CITY OF MOLINE, KANSAS

Financial Statements  
and  
Supplemental Information

with Independent Auditor's Report

For the Year Ended December 31, 2017

City of Moline, Kansas  
Special Financial Statements  
For the Fiscal Year Ended December 31, 2017

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City of Moline, Kansas  
Special Financial Statements  
For the Fiscal Year Ended December 31, 2017

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## INDEPENDENT AUDITORS' REPORT

Mayor and City Council  
City of Moline, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Moline, Kansas, as of and for the year ended December 31, 2017, and the related notes to the financial statement.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

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

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

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

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Moline, Kansas, as of December 31, 2017, or changes in financial position and cash flows thereof for the year then ended.

*Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Moline, Kansas, as of December 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2018 on our consideration of the City of Moline, Kansas, 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* in considering the City of Moline, Kansas, internal control over financial reporting and compliance.

*Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, and is not a required part of the basic financial statements. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents), as required under the provisions of the Kansas Municipal Audit and Accounting Guide, are presented for analysis and are also not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

*Prior Year Comparative Analysis*

The 2016 Actual columns presented in the individual fund schedules of cash receipts and expenditures actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the December 31, 2017 financial statement upon which we rendered an unqualified opinion dated March 1, 2018. The 2016 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards. Such 2016 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 financial statement or to the 2016 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the 2016 financial statement as a whole, on the basis of accounting described in Note 1.

*Restricted Use*

This report is intended solely for the information and use of the governing body and management of the City of Moline, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

*Rodney M. Burns, CPA, LLC*

March 1, 2018

Moline City, Kansas  
Summary of Receipts, Expenditures, and Unencumbered Cash  
Regulatory Basis  
For the Year Ended December 31, 2017

	Beginning Unencumbered Cash Balance	Beginning Balance Adjustment	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General	\$ 67,809		125,263	127,349	65,723	6,849	72,572
Special Purpose:							
Employee Benefits	631		17,538	17,195	974	1,393	2,367
Library Board	801		8,554	9,355		91	91
Special Equipment Reserve	26,996		10,550	5,559	31,987		31,987
Special Highway	22,214		8,756		30,970		30,970
Special Liability	1,237		9,424	8,026	2,635		2,635
Elk County Infrastructure Grant	21,460				21,460		21,460
Special Park	6,751			1,238	5,513		5,513
Bond and Interest:							
Bond and Interest	10,401		6,670	7,259	9,812		9,812
Sewer Debt Service Reserve	14,378		57,000	56,296	15,082		15,082
Capital Projects:							
Water Construction Project	48,330		1,568,789	2,475,072	( 857,953)	884,080	26,127
Business:							
Sewer Utility	13,713		80,618	72,473	21,858	143	22,001
Sewer Utility Reserve	77,534		5,718		83,252		83,252
Water Utility	40,983		147,149	158,411	29,721	11,566	41,287
Trusts:							
Building	(2) 14,880	408	861		16,149		16,149
Griffin Trust	97,377		3,527	3,072	97,832		97,832
Total Primary Government (1)	<u>465,495</u>	<u>408</u>	<u>2,050,417</u>	<u>2,941,305</u>	<u>( 424,985)</u>	<u>904,122</u>	<u>479,137</u>
Composition of Cash:							
Cash on Hand							100
Certificates of Deposit							73,716
Demand Deposits							410,815
Petty Cash Advance							100
Less: Agency Funds						( 5,594)	
Total Primary Government (1)							<u>479,137</u>

(1) Excluding Agency Funds

(2) Beg Bal Adjust - Prior Year Encumbrances Cancelled

City of Moline, Kansas  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**Note 1**      **Summary of Significant Accounting Policies**

**A.**      **Reporting Entity**

The City of Moline, Kansas is a municipal corporation governed by an elected mayor and five-member council. These financial statements present the City of Moline, Kansas as a primary government only. The City has waived the application of generally accepted accounting principles and as such, have not included any component units in these financial statements.

**B.**      **Basis of Presentation**

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

The following Regulatory Basis Fund Types comprise the financial activities of the City for the year ending December 31, 2017:

General Fund -- the chief operating fund. Used to account for all unrestricted resources except those required to be accounted for in another fund.

Special Purpose Funds -- used to account for the proceeds of specific tax levies and other revenue sources that are intended for specific purposes.

Bond and Interest Funds -- used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital project Funds -- used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Funds -- funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund etc.)

Trust Funds -- funds used to report assets held in trust for the benefit of the entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency Funds -- funds used to report assets held by the municipal reporting entity in a purely custodial capacity.



City of Moline, Kansas  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**C. Basis of Accounting**

*Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America*

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

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

**D. Budgets**

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. During 2017, the City had no such amendments.

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

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

City of Moline, Kansas  
Notes to Financial Statements  
For the Year Ended December 31, 2017

A legal operating budget is not required for capital projects funds, fiduciary funds, and the following special revenue funds:

Special Equipment Reserve Fund  
Sewer Utility Reserve Fund

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

**E. Assets, Liabilities, and Fund Equity**

*Cash*

To facilitate better management of the City's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are credited to the General Fund or Business funds.

*Property Taxes and Other Receivables*

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

**F. Revenues and Expenditures**

*Property Tax Revenue Recognition*

Property taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20th and May 10th. Delinquent taxes are assessed interest at rates established by Kansas Statutes. This interest is retained by the county.

Taxes levied to finance the budget are made available to the City after January 1st and are distributed by the county treasurer approximately every month and a half. At least 50% of the taxes levied are available in January.

*Reimbursed Expenses*

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

City of Moline, Kansas  
Notes to Financial Statements  
For the Year Ended December 31, 2017

*Interfund Transactions*

Quasi-external transactions are accounted for as revenue, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Note 2   Deposits and Investments**

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage.

K.S.A. 12-1675 allows the City to deposit idle funds in time deposits-open accounts, and certificates of deposit with allowable financial institutions; and to invest idle funds in U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool.

The City held no investments at December 31, 2017 and held no investments throughout the year.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated any peak periods.

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

At December 31, 2017, the carrying amount of the City's deposits was \$484,531 and the bank balance was \$730,776. The difference between the carrying amount and the actual bank balance is outstanding checks and deposits in transit. Of the bank balance, \$323,716 was covered by federal depository insurance and the remaining \$407,060 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

City of Moline, Kansas  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**Note 3 Long-term Debt**

*General Obligation Bonds*

Kansas cities are limited to aggregate debt not to exceed 30% of assessed valuation of tangible taxable property in the City. The City's assessed valuation at November 1, 2017 was \$984,105. Kansas Statutes exempt Revenue Bonds from this limitation. The outstanding debt that was subject to this limitation as of December 31, 2017 was \$95,507. The resulting legal debt margin for the City is \$199,724.

*Changes in Outstanding Debt*

Changes in the City's outstanding long-term debt, for the year ended December 31, 2017, were as follows:

<u>Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
<b>General Obligation Bonds:</b>									
G.O. Refunding Bonds	4.375%	10/08/07	\$ 120,000	10/11/37	98,458		2,951	95,507	4,308
<b>Revenue Bonds:</b>									
Sewer Utility Revenue Bonds	4.75%	11/06/03	1,000,000	11/06/43	847,302		16,050	831,252	40,247
<b>Revolving Loans:</b>									
Kansas KWPCRF Loan	2.00%	07/16/16	2,100,000	02/01/18	228,729	1,286,537		1,515,266	4,811
Total Contractual Indebtedness					1,174,489	1,286,537	19,001	2,442,025	49,366

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>		<u>Revolving Loans (1)</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 3,081	4,178	16,812	39,485	1,669,703	12,205	1,745,464
2019	3,215	4,044	17,611	38,686			63,556
2020	3,345	3,903	18,344	37,849			63,441
2021	3,502	3,757	19,319	36,464			63,042
2022	3,656	3,603	20,236	36,060			63,555
2023-2027	20,812	15,475	116,439	164,951			317,677
2028-2032	25,778	10,506	146,792	134,545			317,621
2033-2037	32,118	4,350	185,242	96,194			317,904
2038-2042			233,641	47,817			281,458
2043			56,816	2,699			59,515
Total	95,507	49,816	831,252	634,750	1,669,703	12,205	3,293,233

(1) As of December 31, 2017, only \$1,515,266 of this revolving loan has been drawn. The remaining amount will be drawn down from the State of Kansas during 2018 for use in the Water Project (see later Note).

City of Moline, Kansas  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**Note 4   Risk Management**

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

**Note 5   Interfund Transfers**

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Special Equipment Reserve Fund	\$ 5,286
Sewer Utility Fund	Sewer Debt Service Fund	57,000
Sewer Utility Fund	Sewer Replacement Reserve Fund	5,700
Water Construction Project Fund	Water Utility Fund	20,749

**Note 6   Other Long-Term Obligations from Operations**

*Compensated Absences.*

The City's policies regarding vacation and sick pay are summarized as follows:

Vacation: Full-time employees are entitled to 5 days of vacation after one year of employment. After 2 years, employees are entitled to 10 days. Unused vacation at the end of each year is canceled and may not be carried over to the next year. Any unused vacation is canceled upon employment termination.

Sick Pay: Employees are entitled to 3 days of sick leave each year. Unused sick leave is canceled at the end of each year and is not paid upon employment termination.

*Defined Benefit Pension Plan*

*Plan Description.* The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 75-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

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

City of Moline, Kansas  
Notes to Financial Statements  
For the Year Ended December 31, 2017

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from City were \$9,820 for the year ended December 31, 2017.

*Net Pension Liability.* At December 31, 2017, the City's proportionate share of the collective net pension liability reported by KPERS was \$52,420. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

**Note 7   Stewardship, Compliance, and Accountability**

Compliance with Kansas Cash Basis Law

Outstanding encumbrances on the Water Construction Project Fund exceeded the available cash in the fund at December 31, 2017 in the amount of \$857,953. This also resulted in the City's Total Ending Unencumbered Cash Balance shown on Statement 1 being negative in the amount of \$424,985. However, these outstanding encumbrances will be liquidated with funds drawn from federal grants and loans in early 2018, and this is not a violation of the Kansas Cash Basis Law.

Compliance with Kansas Depository Security Law

No violations.

Compliance with Kansas Budget Law

No violations.

**Note 8   Federally Assisted Programs – Compliance Audits**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

City of Moline, Kansas  
Notes to Financial Statements  
For the Year Ended December 31, 2017

**Note 9**   **Water System Improvement Project**

During 2016, the City began a project to upgrade and improve their water system. The total project has an authorization of \$3,536,965, which will be funded by a \$500,000 Community Development Block Grant, and \$3,036,965 in USDA Rural Development Grants and Loans. In July, 2016, the City entered into a loan agreement with the State of Kansas KWPCRF Program. Under this agreement, the City will borrow up to \$2,100,000 for interim funding during construction. On February 1, 2018, this KWPCRF loan will be retired through the use of a portion of the approved USDA funding. The City has also transferred funds from its Water Utility fund to be used as interim funding. As of December 31, 2017, the City had drawn a total of \$1,515,266 in funding from the KWPCRF loan, and has expended a total of \$2,712,484 on this project to date.

**Note 10**   **Subsequent Event**

On February 1, 2018, the City issued General Obligation bonds in a total amount of \$1,571,000 at an interest rate of 2.25%. The proceeds of these bonds, along with funds provided by a USDA Rural Development grant, were used to retire the outstanding State of Kansas KWPCRF Loan, which had an outstanding principal amount of \$1,669,703 at the time. The General Obligation bonds were issued in connection with a loan agreement with USDA Rural Development and will be retired over 40 years from funding provided by the City's Water Utility fund.

Moline City, Kansas  
Summary of Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2017

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Schedule 1

	<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Type Funds:			
General	\$ 179,000	127,349	51,651
Special Purpose:			
Employee Benefits	18,500	17,195	1,305
Library Board	9,600	9,355	245
Special Highway	34,870		34,870
Special Liability	11,000	8,026	2,974
Special Park	9,489	1,238	8,251
Bond and Interest:			
Bond and Interest	7,359	7,259	100
Sewer Debt Service Reserve	56,297	56,296	1
Business:			
Sewer Utility	100,130	72,473	27,657
Water Utility	247,639	158,411	89,228
Totals	<u>673,884</u>	<u>457,602</u>	<u>216,282</u>



General Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

			Current Year	
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 55,531	54,514	55,545	( 1,031)
Motor Vehicle Tax	14,809	12,801	15,841	( 3,040)
Recreational Vehicle Tax	182	169	178	( 9)
Delinquent Tax	1,163	3,738	1,420	2,318
16/20 M Truck Tax	192	161	182	( 21)
Watercraft Tax			69	( 69)
Commercial Vehicle Fees		478	544	( 66)
Total Taxes	<u>71,877</u>	<u>71,861</u>	<u>73,779</u>	<u>( 1,918)</u>
Intergovernmental				
Local Retailers Sales Tax	20,436	20,238	20,000	238
State Grant	9,651	9,651	9,651	
Local Alcoholic Liquor Tax	121	108	118	( 10)
Total Intergovernmental	<u>30,208</u>	<u>29,997</u>	<u>29,769</u>	<u>228</u>
Licenses, Fees, and Permits				
Franchise Fee	8,885	10,353	9,500	853
Camping Fees	426	260	750	( 490)
Dog Licenses	153	127	400	( 273)
Licenses and Permits	400	3,140	500	2,640
Total Licenses, Fees, and Permits	<u>9,864</u>	<u>13,880</u>	<u>11,150</u>	<u>2,730</u>
Use of Money and Property				
Rent	<u>6,632</u>	<u>4,780</u>	<u>5,500</u>	<u>( 720)</u>
Charges for Services				
Grave Openings	<u>1,875</u>	<u>2,350</u>	<u>1,500</u>	<u>850</u>
Miscellaneous				
Other	<u>1,720</u>	<u>2,395</u>		<u>2,395</u>
Total Cash Receipts	<u>122,176</u>	<u>125,263</u>	<u>121,698</u>	<u>3,565</u>
Expenditures and Transfers				
General Government				
General	<u>75,978</u>	<u>82,583</u>	<u>86,000</u>	<u>3,417</u>
Public Works				
Street Department	15,193	12,461	17,500	5,039
Street Lights	11,385	14,183	13,000	( 1,183)
Noxious Weed	590	1,081	1,000	( 81)
Total Public Works	<u>27,168</u>	<u>27,725</u>	<u>31,500</u>	<u>3,775</u>
Public Safety				
Fire Department	8,214	7,169	13,500	6,331
Police Department	300	315	6,000	5,685
Total Public Safety	<u>8,514</u>	<u>7,484</u>	<u>19,500</u>	<u>12,016</u>
Culture and Recreation				
Contractual Services		5		( 5)
Parks and Recreation	<u>3,115</u>	<u>4,266</u>	<u>4,000</u>	<u>( 266)</u>
Total Culture and Recreation	<u>3,115</u>	<u>4,271</u>	<u>4,000</u>	<u>( 271)</u>
Capital Expenditures				
Equipment			38,000	38,000
Transfers				
Operating Transfers Out		5,286		( 5,286)
Total Expenditures and Transfers	<u>114,775</u>	<u>127,349</u>	<u>179,000</u>	<u>51,651</u>
Receipts Over (Under)				
Expenditures and Transfers	7,401	( 2,086)		
Unencumbered Cash, Beginning	<u>60,408</u>	<u>67,809</u>		
Unencumbered Cash, Ending	<u>67,809</u>	<u>65,723</u>		

Moline City, Kansas  
Employee Benefits Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 13,809	13,432	13,687	( 255)
Motor Vehicle Tax	2,667	3,184	3,939	( 755)
Recreational Vehicle Tax	33	42	44	( 2)
Delinquent Tax	180	732	353	379
16/20 M Truck Tax	22	29	45	( 16)
Watercraft Tax			17	( 17)
Commercial Vehicle Fees		119	135	( 16)
Total Cash Receipts	<u>16,711</u>	<u>17,538</u>	<u>18,220</u>	<u>( 682)</u>
Expenditures and Transfers				
General Government				
Personal Services	<u>16,817</u>	<u>17,195</u>	<u>18,500</u>	<u>1,305</u>
Total Expenditures and Transfers	<u>16,817</u>	<u>17,195</u>	<u>18,500</u>	<u>1,305</u>
Receipts Over (Under)				
Expenditures and Transfers	( 106)	343		
Unencumbered Cash, Beginning	<u>737</u>	<u>631</u>		
Unencumbered Cash, Ending	<u>631</u>	<u>974</u>		

Moline City, Kansas  
Library Board Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

			Current Year	
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 5,529	6,766	6,895	( 129)
Motor Vehicle Tax	1,816	1,275	1,577	( 302)
Recreational Vehicle Tax	22	17	18	( 1)
Delinquent Tax	141	428	141	287
16/20 M Truck Tax	25	20	18	2
Watercraft Tax			7	( 7)
Commercial Vehicle Fees		48	54	( 6)
Total Cash Receipts	<u>7,533</u>	<u>8,554</u>	<u>8,710</u>	<u>( 156)</u>
Expenditures and Transfers				
Culture and Recreation				
Contractual Services	<u>9,282</u>	<u>9,355</u>	<u>9,600</u>	<u>245</u>
Total Expenditures and Transfers	<u>9,282</u>	<u>9,355</u>	<u>9,600</u>	<u>245</u>
Receipts Over (Under)				
Expenditures and Transfers	( 1,749)	( 801)		
Unencumbered Cash, Beginning	<u>2,550</u>	<u>801</u>		
Unencumbered Cash, Ending	<u>801</u>	<u></u>		

Moline City, Kansas  
Special Equipment Reserve Fund  
Summary of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Transfers		
Operating Transfers In	\$	5,286
Miscellaneous		
Insurance Proceeds		5,264
Total Cash Receipts		<u>10,550</u>
Expenditures and Transfers		
Capital Expenditures		
Capital Outlay	24,040	5,906
Reimbursed Expense		( 347)
Total Expenditures and Transfers	<u>24,040</u>	<u>5,559</u>
Receipts Over (Under)		
Expenditures and Transfers	( 24,040)	4,991
Unencumbered Cash, Beginning	<u>51,036</u>	<u>26,996</u>
Unencumbered Cash, Ending	<u><u>26,996</u></u>	<u><u>31,987</u></u>

Moline City, Kansas  
Special Highway Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		Current Year		
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts				
Intergovernmental				
Special City & County Highway	\$ 8,964	8,756	8,930	( 174)
Total Cash Receipts	<u>8,964</u>	<u>8,756</u>	<u>8,930</u>	<u>( 174)</u>
Expenditures and Transfers				
Public Works				
Capital Outlay	<u>3,660</u>		34,870	34,870
Total Expenditures and Transfers	<u>3,660</u>		<u>34,870</u>	<u>34,870</u>
Receipts Over (Under)				
Expenditures and Transfers	5,304	8,756		
Unencumbered Cash, Beginning	<u>16,910</u>	<u>22,214</u>		
Unencumbered Cash, Ending	<u>22,214</u>	<u>30,970</u>		

Moline City, Kansas  
Special Liability Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		Current Year			
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavorable)	
Cash Receipts					
Taxes					
Ad Valorem Tax	\$ 5,877	7,573	7,716	( 143)	
Motor Vehicle Tax	1,573	1,355	1,676	( 321)	
Recreational Vehicle Tax	19	18	19	( 1)	
Delinquent Tax	122	410	150	260	
16/20 M Truck Tax	22	17	19	( 2)	
Watercraft Tax			7	( 7)	
Commercial Vehicle Fees		51	58	( 7)	
Total Cash Receipts	<u>7,613</u>	<u>9,424</u>	<u>9,645</u>	<u>( 221)</u>	
Expenditures and Transfers					
General Government					
Contractual Services	10,000	12,024	11,000	( 1,024)	
Reimbursed Expense		( 3,998)		3,998	
Total Expenditures and Transfers	<u>10,000</u>	<u>8,026</u>	<u>11,000</u>	<u>2,974</u>	
Receipts Over (Under)					
Expenditures and Transfers	( 2,387)	1,398			
Unencumbered Cash, Beginning	<u>3,624</u>	<u>1,237</u>			
Unencumbered Cash, Ending	<u>1,237</u>	<u>2,635</u>			

Moline City, Kansas  
Elk County Infrastructure Grant Fund  
Summary of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental		
Appropriation from Elk County	\$ 21,460	
Total Cash Receipts	<u>21,460</u>	
Expenditures and Transfers		
None		
Receipts Over (Under)		
Expenditures and Transfers	21,460	
Unencumbered Cash, Beginning		<u>21,460</u>
Unencumbered Cash, Ending	<u>21,460</u>	<u>21,460</u>

Moline City, Kansas  
Special Park Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Cash Receipts				
Intergovernmental				
Appropriation from Elk County	\$ 1,762		3,000	( 3,000)
Miscellaneous				
Donations	4,000			
Total Cash Receipts	<u>5,762</u>		<u>3,000</u>	<u>( 3,000)</u>
Expenditures and Transfers				
Culture and Recreation				
Contractual Services	<u>2,500</u>	<u>1,238</u>	<u>9,489</u>	<u>8,251</u>
Total Expenditures and Transfers	<u>2,500</u>	<u>1,238</u>	<u>9,489</u>	<u>8,251</u>
Receipts Over (Under)				
Expenditures and Transfers	3,262	( 1,238)		
Unencumbered Cash, Beginning	<u>3,489</u>	<u>6,751</u>		
Unencumbered Cash, Ending	<u>6,751</u>	<u>5,513</u>		



Moline City, Kansas  
Bond and Interest Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

			Current Year	
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 4,847	5,106	5,202	( 96)
Motor Vehicle Tax	1,557	1,117	1,383	( 266)
Recreational Vehicle Tax	19	15	16	( 1)
Delinquent Tax	102	319	124	195
16/20 M Truck Tax	11	17	16	1
Watercraft Tax			6	( 6)
Commercial Vehicle Fees		42	47	( 5)
Total Taxes	<u>6,536</u>	<u>6,616</u>	<u>6,794</u>	<u>( 178)</u>
Use of Money and Property				
Interest on Investments	<u>29</u>	<u>54</u>	<u>35</u>	<u>19</u>
Total Cash Receipts	<u>6,565</u>	<u>6,670</u>	<u>6,829</u>	<u>( 159)</u>
Expenditures and Transfers				
Debt Service				
Bonds				
Principal	2,816	2,951	2,951	
Interest	4,431	4,308	4,308	
Commission & Postage			100	100
Total Expenditures and Transfers	<u>7,247</u>	<u>7,259</u>	<u>7,359</u>	<u>100</u>
Receipts Over (Under)				
Expenditures and Transfers	( 682)	( 589)		
Unencumbered Cash, Beginning	<u>11,083</u>	<u>10,401</u>		
Unencumbered Cash, Ending	<u>10,401</u>	<u>9,812</u>		

Moline City, Kansas  
Sewer Debt Service Reserve Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		Current Year		
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts				
Transfers				
Operating Transfers In	\$ 57,000	57,000	57,000	
Total Cash Receipts	<u>57,000</u>	<u>57,000</u>	<u>57,000</u>	
Expenditures and Transfers				
Debt Service				
Bonds				
Principal	15,215	16,050	16,050	
Interest	<u>40,970</u>	<u>40,246</u>	<u>40,247</u>	<u>1</u>
Total Expenditures and Transfers	<u>56,185</u>	<u>56,296</u>	<u>56,297</u>	<u>1</u>
Receipts Over (Under)				
Expenditures and Transfers	815	704		
Unencumbered Cash, Beginning	<u>13,563</u>	<u>14,378</u>		
Unencumbered Cash, Ending	<u>14,378</u>	<u>15,082</u>		

Moline City, Kansas  
 Water Construction Project Fund  
 Summary of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2017  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental		
Federal Financial Assistance	\$	282,251
State of Kansas KWPCRF Loan	<u>228,729</u>	<u>1,286,538</u>
Total Intergovernmental	<u>228,729</u>	<u>1,568,789</u>
Transfers		
Operating Transfers In	<u>70,700</u>	
Total Cash Receipts	<u>299,429</u>	<u>1,568,789</u>
Expenditures and Transfers		
Public Utilities		
Commercial and General		
Capital Outlay	251,099	2,449,512
Operating Transfers Out	<u>20,749</u>	<u>20,749</u>
Total Commercial and General	<u>251,099</u>	<u>2,470,261</u>
Debt Service		
KWPCRF Loan		
Interest	<u>4,811</u>	<u>4,811</u>
Total Expenditures and Transfers	<u>251,099</u>	<u>2,475,072</u>
Receipts Over (Under)		
Expenditures and Transfers	48,330	( 906,283)
Unencumbered Cash, Beginning		48,330
Unencumbered Cash, Ending	<u>48,330</u>	<u>( 857,953)</u>

Moline City, Kansas  
Sewer Utility Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		Current Year		
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts				
Charges for Services				
Customer Charges	\$ 75,354	79,808	85,000	( 5,192)
Miscellaneous				
Other	1,103	810	1,200	( 390)
Total Cash Receipts	<u>76,457</u>	<u>80,618</u>	<u>86,200</u>	<u>( 5,582)</u>
Expenditures and Transfers				
Public Utilities				
Production				
Personal Services	16,462	3,754	12,500	8,746
Contractual Services	4,080	2,060	10,000	7,940
Commodities	3,432	3,959	14,930	10,971
Operating Transfers Out	<u>5,700</u>	<u>62,700</u>	<u>62,700</u>	
Total Production	<u>29,674</u>	<u>72,473</u>	<u>100,130</u>	<u>27,657</u>
KWPCRF Loan				
Operating Transfers Out	<u>57,000</u>			
Total Expenditures and Transfers	<u>86,674</u>	<u>72,473</u>	<u>100,130</u>	<u>27,657</u>
Receipts Over (Under)				
Expenditures and Transfers	( 10,217)	8,145		
Unencumbered Cash, Beginning	<u>23,930</u>	<u>13,713</u>		
Unencumbered Cash, Ending	<u>13,713</u>	<u>21,858</u>		

Moline City, Kansas  
Sewer Utility Reserve Fund  
Summary of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Use of Money and Property		
Interest on Investments	\$ 10	18
Transfers		
Operating Transfers In	5,700	5,700
Total Cash Receipts	<u>5,710</u>	<u>5,718</u>
Expenditures and Transfers		
None		
Receipts Over (Under)		
Expenditures and Transfers	5,710	5,718
Unencumbered Cash, Beginning	<u>71,824</u>	<u>77,534</u>
Unencumbered Cash, Ending	<u><u>77,534</u></u>	<u><u>83,252</u></u>

Moline City, Kansas  
Water Utility Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		Current Year		
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts				
Use of Money and Property				
Interest on Investments	\$ 1,416	4,043	400	3,643
Charges for Services				
Customer Charges	122,216	121,796	145,000	( 23,204)
Customer Hookup Fees	1,075	225	500	( 275)
Total Charges for Services	123,291	122,021	145,500	( 23,479)
Transfers				
Operating Transfers In		20,749		20,749
Miscellaneous				
Other	25	336	2,000	( 1,664)
Total Cash Receipts	124,732	147,149	147,900	( 751)
Expenditures and Transfers				
Public Utilities				
Production				
Personal Services	41,356	45,224	32,500	( 12,724)
Contractual Services	71,684	83,402	88,000	4,598
Commodities	9,848	29,785	17,500	( 12,285)
Capital Outlay			109,639	109,639
Total Production	122,888	158,411	247,639	89,228
Commercial and General				
Operating Transfers Out	70,700			
Total Expenditures and Transfers	193,588	158,411	247,639	89,228
Receipts Over (Under)				
Expenditures and Transfers	( 68,856)	( 11,262)		
Unencumbered Cash, Beginning	109,839	40,983		
Unencumbered Cash, Ending	40,983	29,721		

Moline City, Kansas  
Building Fund  
Summary of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Miscellaneous		
Donations	\$ 8,151	861
Insurance Proceeds	<u>6,430</u>	<u>          </u>
Total Cash Receipts	<u>14,581</u>	<u>861</u>
Expenditures and Transfers		
General Government		
Capital Outlay	<u>1,320</u>	<u>          </u>
Total Expenditures and Transfers	<u>1,320</u>	<u>          </u>
Receipts Over (Under)		
Expenditures and Transfers	13,261	861
Unencumbered Cash, Beginning	1,619	14,880
Prior Year Encumbr. Cancelled	<u>          </u>	<u>408</u>
Unencumbered Cash, Ending	<u>14,880</u>	<u>16,149</u>

Moline City, Kansas  
Griffin Trust Fund  
Summary of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Use of Money and Property		
Interest on Investments	\$ 371	996
Oil and Gas Royalties	<u>3,897</u>	<u>2,531</u>
Total Cash Receipts	<u>4,268</u>	<u>3,527</u>
Expenditures and Transfers		
General Government		
Contractual Services	<u>2,379</u>	<u>3,072</u>
Culture and Recreation		
Contractual Services	<u>1,460</u>	<u></u>
Total Expenditures and Transfers	<u>3,839</u>	<u>3,072</u>
Receipts Over (Under)		
Expenditures and Transfers	429	455
Unencumbered Cash, Beginning	<u>96,948</u>	<u>97,377</u>
Unencumbered Cash, Ending	<u><u>97,377</u></u>	<u><u>97,832</u></u>



City of Moline, Kansas  
 Agency Funds  
 Summary of Receipts, Disbursements and Balances  
For the Year Ended December 31, 2017

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Trash Collections	\$ 3,187	39,268	39,450	3,005
Customer Overpayments	763	4,250	4,800	213
Medical Savings Plan	1,396	6,600	5,620	2,376
	<u>5,346</u>	<u>50,118</u>	<u>49,870</u>	<u>5,594</u>

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Mayor and City Council  
City of Moline, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the statutory basis financial statement of the City of Moline, Kansas, as of and for the year ended December 31, 2017, and have issued our report thereon dated March 1, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the City of Moline's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Moline's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Moline's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Moline's statutory basis financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

*Rodney M. Burns, CPA, LLC*

March 1, 2018

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

Mayor and City Council  
City of Moline, Kansas

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the City of Moline, Kansas, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Moline's major federal programs for the year ended December 31, 2017. The City of Moline's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Moline's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Moline's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Moline's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Moline complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

***Report on Internal Control over Compliance***

Management of the City of Moline is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Moline's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Moline's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

*Rodney M. Burns, CPA, LLC*

March 1, 2018

City of Moline, Kansas  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended December 31, 2017

**I. Summary of Audit Results**

**Financial Statement:**

The auditors' report expresses an adverse opinion on the financial statement of the City of Moline, Kansas, on the Generally Accepted Accounting Principles (GAAP) basis of accounting, but an unmodified opinion on the regulatory basis of accounting as prescribed by the State of Kansas.

**Internal Control over Financial Reporting:**

Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	_____ Yes	<u>  X  </u> None reported
Non compliance or other matters required to be reported under <i>Government Auditing Standards</i> ?	_____ Yes	<u>  X  </u> No

**Federal Awards:**

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	_____ Yes	<u>  X  </u> None reported

The auditors' report on compliance for the major federal award programs for the City of Moline, Kansas, expresses an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance

_____ Yes	<u>  X  </u> No
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Identification of major programs:

**U.S. Department of Agriculture**

Water and Waste Disposal Systems for Rural Communities – CFDA #10.760

The threshold for distinguishing Types A and B programs was \$750,000.

Auditee qualified as a low risk auditee?	_____ Yes	<u>  X  </u> No
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**II. Financial Statement Findings**

None.

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City of Moline Kansas  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Pass-through Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Cash Receipts</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Agriculture Water and Waste Water Disposal Systems for Rural Communities		10.760	\$ 2,100,000	0	1,428,318 (1)
Department of Housing and Urban Development (Passed through the Kansas Department of Commerce and Housing) Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	CDBG #16-PF-009	14.228	<u>500,000</u>	<u>282,251</u>	<u>317,251</u>
Total Federal Awards			<u>2,600,000</u>	<u>282,251</u>	<u>1,745,569</u>

(1) Major program

Note to the Schedule of Expenditures of Federal Awards:

Note A: General

The schedule of expenditures of federal awards presents the activity of all federal awards of the City of Moline, Kansas (the City). All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

Note B: Indirect Cost Rate

The City did not elect to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

Note C: Basis of Presentation

The expenditures shown on the schedule of expenditures of federal awards are recorded on the accrual basis of accounting, which records expenses when the goods or services are received, and not necessarily when paid. These expenditures also do not include outstanding encumbrances which are shown as expenditures on the City's regulatory-basis financial statements.

Reconciliation of federal expenditures to financial statement amounts:

Federal Expenditures as Shown Above:

#10.760	1,428,318
#14.228	<u>317,251</u>
Subtotal	<u>1,745,569</u>

Plus: Encumbrances outstanding December, 31, 2017	693,567
Plus: Local funds expended on Water Project	<u>35,936</u>

Total Expenditures for Water Project per Statement 1 2,475,072