

**City of Cottonwood Falls
Chase County, Kansas**

**Independent Auditors' Report and
Regulatory Basis Financial Statement
Year Ended December 31, 2017**

City of Cottonwood Falls
Chase County, Kansas

Regulatory Basis Financial Statement
Year Ended December 31, 2017

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Independent Auditors' Report

Mayor and City Council
City of Cottonwood Falls, Kansas

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Cottonwood Falls, 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 Statement

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

Auditors' Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Cottonwood Falls, 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 State of America.

The effects on the financial statement of 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 my 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 Cottonwood Falls, Kansas, as of December 31, 2017, or the changes in financial position and cash flows for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Cottonwood Falls, 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 Matters – Supplementary Information

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, and schedule of regulatory basis receipts and disbursements-agency funds, (Schedules 1,2, and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement but are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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.

A handwritten signature in black ink that reads "Cindy Jensen CPA". The signature is written in a cursive, flowing style.

Cindy Jensen, CPA
August 6, 2018

City of Cottonwood Falls
Chase County, Kansas

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

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances & Accounts Payable	Ending Cash Balance
General Fund	\$ 136,948	\$ 0	\$ 422,326	\$ 377,503	\$ 181,771	\$ 13,754	\$ 195,525
Special Purpose Funds							
Sales Tax Fund	262,201	0	145,749	165,420	242,530	4,499	247,029
Special Highway	40,240	0	23,208	12,743	50,705	10,064	60,769
Special Parks & Recreation	5,054	0	1,554	0	6,608	0	6,608
Municipal Equipment Reserve	2,280	0	31	0	2,311	0	2,311
Capital Improvement Reserve	7,808	0	0	7,808	0	0	0
Swope Park Equipment	7,261	0	0	0	7,261	0	7,261
Streetscape	430	0	1,600	1,058	972	0	972
Community Building Equip	85	0	0	0	85	0	85
Veteran's Memorial	8,952	0	900	3,841	6,011	0	6,011
Cottonwood Falls Volunteers	80	0	0	0	80	0	80
Pool Renovation	5,000	0	0	0	5,000	0	5,000
Bill North Courtyard	2,160	0	0	600	1,560	0	1,560
Chase Disc Golf	3,832	0	975	2,986	1,821	276	2,097
Christmas Lights	81	0	0	0	81	0	81
Business Fund							
Sewer	58,436	0	38,669	38,584	58,521	1,417	59,938
Solid Waste	90,811	0	156,493	148,931	98,373	6,119	104,492
Water	340,749	0	309,439	331,491	318,697	17,286	335,983
Total Reporting Entity(Excluding Agency Funds Schedule 3)	<u>\$ 972,408</u>	<u>\$ 0</u>	<u>\$ 1,100,944</u>	<u>\$ 1,090,965</u>	<u>\$ 982,387</u>	<u>\$ 53,415</u>	<u>\$ 1,035,802</u>

Composition of Cash Balance:

Checking	\$ 783,814
Certificates of Deposit	254,197
Petty Cash	150
Total Cash Balance	1,038,161
Less: Agency Funds per Schedule 3	(2,359)
Total Reporting Entity	<u>\$ 1,035,802</u>

The accompanying notes to the financial statement are an integral part of this statement.

City of Cottonwood Falls
Chase County, Kansas

Notes to the Financial Statement
December 31, 2017

Note 1 – Summary of Significant Accounting Principles

Financial Reporting Entity

The City of Cottonwood Falls is a governmental entity governed by an elected five-member Council and Mayor. The City's major operations include public safety and transportation, culture and recreation, and general administrative services. The City also operates three major business type activities: a sewer system, a solid waste system, and a water system.

This financial statement presents the City of Cottonwood Falls (the municipality) but does not include any related municipal entities of the City of Cottonwood Falls.

Regulatory Basis Fund Types

The accounts of the City are organized and operated on the basis of funds, which are used to record the City's financial transactions. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Cash and other financial resources are recorded together with all related expenditures. A fund is used to segregate specific activities and for the purpose of attaining certain objectives in accordance with special regulations, restrictions, or limitations including State Statutes and City Ordinances. The following types of funds comprise the financial activities of the City.

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

Special Purpose Fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than capital projects and tax levies for long-term debt) that are intended for specified purposes.

Business Fund – a fund financed in whole or in part, by fees charged to users of the goods or services (enterprise and internal service fund, etc.).

Agency Fund – used to report assets held by the municipal reporting entity in a purely custodial capacity.

Basis of Accounting

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

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

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

City of Cottonwood Falls
Chase County, Kansas

Notes to the Financial Statement
December 31, 2017

Note 1 – Summary of Significant Accounting Policies (Cont.)

Use of Estimates

The preparation of the financial statement in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the reported amounts of cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures at the date of the financial statement. Accordingly, actual results could differ from those estimates.

Budgetary Information

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

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

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

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

All legal annual operating budgets are prepared using the regulatory basis of accounting in which regulatory receipts are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the 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.

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds: Equipment Reserve Funds, Capital Improvement Reserve, Streetscape, Veterans Memorial, Cottonwood Falls Volunteers, Pool Renovation, Bill North Courtyard, Chase Disc Golf, and the Christmas Lights funds.

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

City of Cottonwood Falls
Chase County, Kansas

Notes to the Financial Statement
December 31, 2017

Note 2 -- Stewardship, Compliance and Accountability

Compliance with Finance Related Legal and Contractual Provisions

References made herein to the statutes are not intended as interpretations of law but are offered for consideration of the Director of Accounts and Reports and legal representatives of the municipality.

Management is not aware of any noncompliance with Kansas statutes.

Note 3 -- Deposits and Investments

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

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

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 K.S.A. 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%. Deposits were legally secured at December 31, 2017.

At year-end, the carrying amount of the City's deposits was \$1,038,011 and the bank balance was \$1,081,466. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance and \$581,466 was collateralized with securities held by the pledging financial institutions' agents in the City's name. The City held no investments at December 31, 2017.

City of Cottonwood Falls
Chase County, Kansas

Notes to the Financial Statement
December 31, 2017

Note 4 – Property Taxes

The City certifies its' budget to the county clerk annually. Using this certified budget and those of other political subdivisions within the county, the county clerk spreads the annual assessment onto the tax rolls and levies property tax on November 1 of each year. The property tax is payable in two installments. The first installment is due December 20 of the same year, and the second installment is due May 10 of the subsequent year. The county treasurer collects and distributes the property taxes. In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the following years operations.

Note 5 – Long-Term Debt

KDHE loan

The City of Cottonwood Falls entered into a loan agreement with the Kansas Dept. of Health and Environment on October 1, 2012, to finance a portion of the cost to replace water lines, associated service lines, and meters in the City. The original authorized loan amount was \$1,100,000, which was amended on October 19, 2015 to \$1,166,876. The City made a payment of \$34,302 on February 1, 2015. After that, semi-annual principal and interest payments in the amount of \$36,250 began on August 1, 2015. The payments are due on February 1 and August 1 of each year, with the final payment to be made on August 1, 2034. Payments on this loan are to be made from revenues of the Water fund.

Lease Agreements

The City entered into a lease agreement with Cottonwood Valley Bank for the purchase of a 2008 Chevy Truck on April 28, 2015 for \$11,000. The City made an initial payment of \$1,000 April 28, 2015, with three annual payments of \$3,569 scheduled to begin April 28, 2016. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments on this lease are split between the General, Water, and Solid Waste funds.

The City entered into a lease agreement with Cottonwood Valley Bank for the purchase of Trash Dumpsters/Poly Carts on March 16, 2015 for \$22,160. The City made an initial payment of \$4,160 on March 16, 2015, with two annual payments of \$9,441 scheduled to begin March 16, 2016. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments on this lease were made from the Solid Waste fund. The final payment was made in 2017.

The City entered into a lease agreement with Cottonwood Valley Bank for the purchase of a 2008 Kenworth Trash Truck on January 18, 2016 for \$73,200. The City made an initial payment of \$13,200 on January 18, 2016. Sixteen quarterly payments of \$4,056 are scheduled, beginning April 18, 2016. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments on this lease are made from the Solid Waste fund.

The City entered into a lease agreement with Cottonwood Valley Bank for the purchase of a Hustler Mower on September 14, 2016 for \$19,170. The City made an initial payment of \$3,170 on September 14, 2016. Five annual payments of \$3,200 plus interest are scheduled, beginning September 14, 2017. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments on this lease are made from the General, Water, and Sewer funds.

City of Cottonwood Falls
Chase County, Kansas

Notes to the Financial Statement
December 31, 2017

Note 5 -- Long-Term Debt (Cont)

Changes in long-term liabilities for the year ended December 31, 2017 were as follows:

	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Due January 1	Additions	Reductions/ Payments	Balance Due December 31	Interest Paid
KDHE Water loan	2.25%	10/1/2012	1,166,876	8/1/2034	\$ 1,064,678	\$ 0	\$ 48,576	\$ 1,016,102	\$ 23,684
Capital Leases									
Chevy pickup	3.50%	4/28/2015	11,000	4/28/2018	6,781	0	3,332	3,449	237
Dumpsters	3.25%	3/16/2015	22,160	3/16/2017	9,144	0	9,144	0	297
Trash truck	3.75%	1/18/2016	73,200	1/18/2020	49,422	0	14,574	34,848	1,649
Hustler mower	3.75%	9/14/2016	19,170	9/14/2021	16,000	0	3,200	12,800	608
Total contractual indebtedness					<u>\$ 1,146,025</u>	<u>\$ 0</u>	<u>\$ 78,826</u>	<u>\$ 1,067,199</u>	<u>\$ 26,475</u>

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

	2018	2019	2020	2021	2022	2023-2027	2027-2032	2033-2034	Total
Principal									
KDHE Water loan	\$ 49,676	\$ 50,800	\$ 51,949	\$ 53,125	\$ 54,327	\$ 290,638	\$ 325,041	\$ 140,546	\$ 1,016,102
2008 Chevy PU	3,449	0	0	0	0	0	0	0	3,449
2008 Trash Truck	15,128	15,703	4,017	0	0	0	0	0	34,848
Hustler mower	3,200	3,200	3,200	3,200	0	0	0	0	12,800
Total Principal	<u>71,453</u>	<u>69,703</u>	<u>59,166</u>	<u>56,325</u>	<u>54,327</u>	<u>290,638</u>	<u>325,041</u>	<u>140,546</u>	<u>1,067,199</u>
Interest									
KDHE Water loan	22,584	21,460	20,311	19,136	17,934	70,663	36,261	3,975	212,324
2008 Chevy PU	121	0	0	0	0	0	0	0	121
2008 Trash Truck	1,096	520	38	0	0	0	0	0	1,654
Hustler mower	487	365	244	122	0	0	0	0	1,218
Total Interest	<u>24,288</u>	<u>22,345</u>	<u>20,593</u>	<u>19,258</u>	<u>17,934</u>	<u>70,663</u>	<u>36,261</u>	<u>3,975</u>	<u>215,317</u>
Total Principal & Interest	<u>\$ 95,741</u>	<u>\$ 92,048</u>	<u>\$ 79,759</u>	<u>\$ 75,583</u>	<u>\$ 72,261</u>	<u>\$ 361,301</u>	<u>\$ 361,302</u>	<u>\$ 144,521</u>	<u>\$ 1,282,516</u>

City of Cottonwood Falls
Chase County, Kansas

Notes to the Financial Statement
December 31, 2017

Note 6 – Other Long-Term Obligations from Operations

Compensated Absences

The City employees earn and accumulate up to 5 days of vacation during the first year of employment; earn 10 days and accumulate 15 days up to 7 years of employment; and earn 15 days and accumulate 15 days thereafter. Employees having accumulated more vacation days before the August 2, 1993 adoption of this policy are allowed to carry forward those days under the prior policy. The City's full-time employees earn up to 12 days per year of sick time and part-time employees earn up to 6 days per year. No employee may accumulate more than 100 days of sick leave and no sick pay is paid upon separation of service. Compensated absence payments are made from the fund that corresponds to the employee's duties.

Other Post-Employment Benefits

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Note 7 – Defined Benefit Pension Plan

Plan Description

The City of Cottonwood Falls, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS 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 may be found on the website at 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 KPERS 1, KPERS 2, or a KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rate for KPERS 1, KPERS 2, and KPERS 3 to 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 the City of Cottonwood Falls were \$16,534 for the year ended December 31, 2017.

City of Cottonwood Falls
Chase County, Kansas

Notes to the Financial Statement
December 31, 2017

Note 7 – Defined Benefit Pension Plan (Cont.)

Net Pension Liability

At December 31, 2017, the City's proportionate share of the collective net pension liability reported by KPERS was \$153,232. 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 or can be obtained as described above.

Note 8 – 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. These risks are covered by commercial insurance purchased from independent third parties. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were no significant reductions insurance coverage from coverage in prior years.

Note 9 – Public Wholesale Water Supply District #26

Public Wholesale Water Supply District No. 26 was formed on May 31, 2011 for the purpose of providing water to its members. Members of the District are: The City of Cottonwood Falls, the City of Strong City, and the Chase County Rural Water District No. 1. The initial water cost to the City will be \$5.29 per thousand gallons with a minimum commitment of 2,425,000 per month. The contract extends 40 years from the date of initial delivery of water which was in March 2016.

The City entered into a contract with PWWSD#26 to provide water system operator services. The City of Cottonwood Falls will operate the plant when Strong City personnel are absent and shall alternate holiday and weekend duties with Strong City personnel. PWWSD#26 agrees to reimburse the City based on the hourly rate of the employee, including leave, benefits, and employer payroll taxes plus an additional 10%. The term of the agreement is for one year and continues indefinitely until either party gives written notice.

The City entered into a contract with PWWSD#26 to lease the City's existing water wells and water rights. PWWSD#26 will pay the City \$100 annually for a term of 40 years or as long as the lessee produces potable water in sufficient quantities, whichever occurs first.

Note 10 – Pearl Street Project

On April 15, 2016, the City of Cottonwood Falls was awarded a grant from the Kansas Dept. of Transportation (KDOT) to make needed repairs and improvements to Pearl Street. The total construction project cost was estimated at \$780,670 and was to be funded by a KDOT grant in the amount of \$573,656 and a local match of \$207,014. In June of 2018, the city remitted it's KDOT revised estimated share of \$236,000 to KDOT up front as required. In addition, the City was responsible for preconstruction costs such as design and engineering in the amount of \$67,268. As of December 31, 2017, the City expended \$61,268 of design, engineering and related costs.

**Regulatory – Required
Supplementary Information**

City of Cottonwood Falls
Chase County, Kansas

Schedule 1

Summary of Expenditures-Actual and Budget
Regulatory Basis
Budgeted Funds Only
For the Year Ended December 31, 2017

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund	\$ 547,802	\$ 0	\$ 547,802	\$ 377,503	\$ (170,299)
Special Purpose Funds					
Sales Tax	384,203	0	384,203	165,420	(218,783)
Special Highway	64,542	0	64,542	12,743	(51,799)
Special Parks & Recreation	5,999	0	5,999	0	(5,999)
Business Funds					
Sewer	108,568	0	108,568	38,584	(69,984)
Solid Waste	272,060	0	272,060	148,931	(123,129)
Water	615,606	0	615,606	331,491	(284,115)

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2A

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2017

GENERAL FUND

	Current Year		Variance
	Actual	Budget	Over (Under)
Receipts			
Chase County	\$ 326,109	\$ 317,572	\$ 8,537
Liquor Tax	1,554	1,279	275
Community Building Rent	2,325	2,500	(175)
Court Fees	760	300	460
Franchise Fees	40,156	41,000	(844)
Interest on Idle Funds	1,628	1,500	128
Licenses & Permits	812	800	12
Municipal Building Rental	5,172	5,170	2
Park Rental	3,846	3,000	846
Street	0	150	(150)
Fireworks	5,963	0	5,963
Swimming Pool	17,054	18,500	(1,446)
Misc Reimbursements & Other	16,947	15,834	1,113
Transfers In	0	0	0
Total Receipts	<u>422,326</u>	<u>407,605</u>	<u>14,721</u>
Expenditures			
General Government	138,575	198,000	(59,425)
Capital Outlay	0	111,202	(111,202)
Streets	44,772	57,000	(12,228)
Airport	3,893	3,500	393
Pool	44,853	45,000	(147)
Parks	51,520	32,000	19,520
Public Safety	24,816	23,000	1,816
Employee Benefits	38,002	51,000	(12,998)
Law Enforcement	9,000	9,000	0
Housing Authority	9,600	9,600	0
Industrial Development	6,000	6,000	0
Dump	3,014	2,500	514
Fireworks	3,458	0	3,458
Transfers out	0	0	0
Total Expenditures	<u>377,503</u>	<u>547,802</u>	<u>(170,299)</u>
Receipts Over (Under) Expenditures	44,823	<u>\$ (140,197)</u>	<u>\$ 185,020</u>
Unencumbered Cash, January 1	<u>136,948</u>		
Unencumbered Cash, December 31	<u>\$ 181,771</u>		

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2B

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2017

SALES TAX FUND

	Current Year		Variance Over (Under)
	Actual	Budget	
Receipts			
Sales Tax	\$ 145,749	\$ 144,000	\$ 1,749
Other reimbursements	0	0	0
Total Receipts	<u>145,749</u>	<u>144,000</u>	<u>1,749</u>
Expenditures			
Personal Services	0	0	0
Commodities	7,085	10,000	(2,915)
Contractual Services	146,758	27,000	119,758
Capital Outlay	11,577	347,203	(335,626)
Adjustment for Budget Credits	0	0	0
Total Expenditures	<u>165,420</u>	<u>384,203</u>	<u>(218,783)</u>
Receipts Over (Under) Expenditures	(19,671)	<u>\$ (240,203)</u>	<u>\$ 220,532</u>
Unencumbered Cash, January 1	<u>262,201</u>		
Unencumbered Cash, December 31	<u>\$ 242,530</u>		

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2C

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2017

SPECIAL HIGHWAY

	Current Year		Variance Over (Under)
	Actual	Budget	
Receipts			
State of Kansas Gas Tax	\$ 23,208	\$ 23,500	\$ (292)
Other Receipts	0	0	0
Total Receipts	<u>23,208</u>	<u>23,500</u>	<u>(292)</u>
Expenditures			
Contractual Services	7,907	2,000	5,907
Commodities	4,836	3,300	1,536
Capital Outlay	0	59,242	(59,242)
Adjustment for Budget Credits	0	0	0
Total Expenditures	<u>12,743</u>	<u>64,542</u>	<u>(51,799)</u>
Receipts Over (Under) Expenditures	10,465	<u>\$ (41,042)</u>	<u>\$ 51,507</u>
Unencumbered Cash, January 1	<u>40,240</u>		
Unencumbered Cash, December 31	<u>\$ 50,705</u>		

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2D

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2017

SPECIAL PARKS AND RECREATION

	Current Year		Variance Over (Under)
	Actual	Budget	
Receipts			
Liquor Tax	\$ 1,554	\$ 1,279	\$ 275
Other Receipts	0	0	0
Total Receipts	<u>1,554</u>	<u>1,279</u>	<u>275</u>
Expenditures			
Parks & Recreation	0	5,999	(5,999)
Adjustment for Budget Credits	0	0	0
Total Expenditures	<u>0</u>	<u>5,999</u>	<u>(5,999)</u>
Receipts Over (Under) Expenditures	1,554	<u>\$ (4,720)</u>	<u>\$ 6,274</u>
Unencumbered Cash, January 1	<u>5,054</u>		
Unencumbered Cash, December 31	<u>\$ 6,608</u>		

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2E

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2017

MUNICIPAL EQUIPMENT RESERVE

	Current Year Actual
Receipts	
Miscellaneous Receipts	\$ 31
Transfers In	0
Total Receipts	<u>31</u>
Expenditures	
Equipment	<u>0</u>
Receipts Over (Under) Expenditures	31
Unencumbered Cash, January 1	<u>2,280</u>
Unencumbered Cash, December 31	<u><u>\$ 2,311</u></u>

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2F

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2017

CAPITAL IMPROVEMENT RESERVE

	Current Year Actual
Receipts	
Grant Proceeds	\$ 0
Loan Proceeds	0
Transfers	0
Total Receipts	<u>0</u>
Expenditures	
Capital Improvements	0
Reimburse water fund for project expenditures	<u>7,808</u>
Total Expenditures	<u>7,808</u>
Receipts Over (Under) Expenditures	(7,808)
Unencumbered Cash, January 1	<u>7,808</u>
Unencumbered Cash, December 31	<u>\$ 0</u>

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2G

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2017

SWOPE PARK EQUIPMENT

	Current Year Actual
Receipts	
Donations	\$ 0
Other	0
Total Receipts	0
Expenditures	
Park equipment	0
Other	0
Total Expenditures	0
Receipts Over (Under) Expenditures	0
Unencumbered Cash, January 1	7,261
Unencumbered Cash, December 31	\$ 7,261

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2H

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2017

STREETSCAPE

	Current Year Actual
Receipts	
Donations	\$ 1,600
Other	0
Total Receipts	<u>1,600</u>
Expenditures	
Contractual	1,000
Commodities	58
Total Expenditures	<u>1,058</u>
Receipts Over (Under) Expenditures	542
Unencumbered Cash, January 1	<u>430</u>
Unencumbered Cash, December 31	<u><u>\$ 972</u></u>

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2I

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2017

COMMUNITY BUILDING EQUIPMENT

	Current Year Actual
Receipts	
Miscellaneous	\$ 0
Other Receipts	0
Total Receipts	<u>0</u>
Expenditures	
Equipment	<u>0</u>
Receipts Over (Under) Expenditures	0
Unencumbered Cash, January 1	<u>85</u>
Unencumbered Cash, December 31	<u>\$ 85</u>

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2J

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2017

VETERANS MEMORIAL

	Current Year Actual
Receipts	
Donations	\$ 645
Other Receipts	255
Total Receipts	<u>900</u>
Expenditures	
Contractual	950
Commodities	2,891
Total Expenditures	<u>3,841</u>
Receipts Over (Under) Expenditures	(2,941)
Unencumbered Cash, January 1	<u>8,952</u>
Unencumbered Cash, December 31	<u><u>\$ 6,011</u></u>

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2K

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2017

COTTONWOOD FALLS VOLUNTEERS

	Current Year Actual
Receipts	
Donations	\$ 0
Other	0
Total Receipts	<u>0</u>
Expenditures	
Contractual	0
Other	0
Total Expenditures	<u>0</u>
Receipts Over (Under) Expenditures	0
Unencumbered Cash, January 1	<u>80</u>
Unencumbered Cash, December 31	<u><u>\$ 80</u></u>

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2L

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2017

POOL RENOVATION

	Current Year Actual
Receipts	
Donations	\$ 0
Expenditures	
Capital Outlay	0
Other	0
Total Expenditures	<u>0</u>
Receipts Over (Under) Expenditures	0
Unencumbered Cash, January 1	<u>5,000</u>
Unencumbered Cash, December 31	<u>\$ 5,000</u>

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2M

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2017

BILL NORTH COURTYARD

	Current Year Actual
Receipts	
Donations	\$ 0
Other receipts	0
Total Receipts	<u>0</u>
Expenditures	
Commodities	0
Contractual	600
Total Expenditures	<u>600</u>
Receipts Over (Under) Expenditures	(600)
Unencumbered Cash, January 1	<u>2,160</u>
Unencumbered Cash, December 31	<u><u>\$ 1,560</u></u>

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2N

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2017

CHASE DISC GOLF

	Current Year Actual
Receipts	
Donations	\$ 975
Other receipts	0
Total Receipts	<u>975</u>
Expenditures	
Commodities	1,120
Contractual	0
Capital Outlay	1,866
Total Expenditures	<u>2,986</u>
Receipts Over (Under) Expenditures	(2,011)
Unencumbered Cash, January 1	<u>3,832</u>
Unencumbered Cash, December 31	<u>\$ 1,821</u>

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 20

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2017

CHRISTMAS LIGHTS

	Current Year Actual
Receipts	
Donations	\$ 0
Other	0
Total Receipts	0
Expenditures	
Commodities	0
Contractual	0
Total Expenditures	0
Receipts Over (Under) Expenditures	0
Unencumbered Cash, January 1	81
Unencumbered Cash, December 31	\$ 81

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2P

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2017

SEWER

	Current Year		Variance Over (Under)
	Actual	Budget	
Receipts			
Charges for Services	\$ 38,454	\$ 40,100	\$ (1,646)
Other Receipts	215	0	215
Total Receipts	<u>38,669</u>	<u>40,100</u>	<u>(1,431)</u>
Expenditures			
Personal Service	19,107	18,000	1,107
Contractual	15,089	11,500	3,589
Commodities	4,007	2,000	2,007
Capital Outlay	381	77,068	(76,687)
Total Expenditures	<u>38,584</u>	<u>108,568</u>	<u>(69,984)</u>
Receipts Over (Under) Expenditures	85	<u>\$ (68,468)</u>	<u>\$ 68,553</u>
Unencumbered Cash, January 1	<u>58,436</u>		
Unencumbered Cash, December 31	<u>\$ 58,521</u>		

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2Q

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2017

SOLID WASTE

	Current Year		Variance Over (Under)
	Actual	Budget	
Receipts			
Charges for Services	\$ 156,343	\$ 162,400	\$ (6,057)
Other Receipts	150	200	(50)
Total Receipts	<u>156,493</u>	<u>162,600</u>	<u>(6,107)</u>
Expenditures			
Personal Service	59,865	55,000	4,865
Contractual	39,602	33,000	6,602
Commodities	19,751	7,500	12,251
Capital Outlay	29,713	176,560	(146,847)
Total Expenditures	<u>148,931</u>	<u>272,060</u>	<u>(123,129)</u>
Receipts Over (Under) Expenditures	7,562	<u>\$ (109,460)</u>	<u>\$ 117,022</u>
Unencumbered Cash, January 1	<u>90,811</u>		
Unencumbered Cash, December 31	<u>\$ 98,373</u>		

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 2R

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2017

WATER

	Current Year		Variance Over (Under)
	Actual	Budget	
Receipts			
Charges for Services	\$ 299,491	\$ 306,600	\$ (7,109)
Reimburse for water project from CIP	7,808	0	7,808
Other Receipts	2,140	5,500	(3,360)
Total Receipts	<u>309,439</u>	<u>312,100</u>	<u>(2,661)</u>
Expenditures			
Personal Service	66,583	70,000	(3,417)
Contractual	14,453	15,000	(547)
Commodities	20,496	28,000	(7,504)
Water purchased	154,964	200,000	(45,036)
Capital Outlay	2,735	230,346	(227,611)
Loan payments	72,260	72,260	0
Total Expenditures	<u>331,491</u>	<u>615,606</u>	<u>(284,115)</u>
Receipts Over (Under) Expenditures	(22,052)	<u>\$ (303,506)</u>	<u>\$ 281,454</u>
Unencumbered Cash, January 1	<u>340,749</u>		
Unencumbered Cash, December 31	<u>\$ 318,697</u>		

See accompanying auditor's report.

City of Cottonwood Falls
Chase County, Kansas

Schedule 3

Schedule of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2017

AGENCY FUNDS

Fund	Cash Balance Jan 1, 2017	Cash Receipts	Cash Disbursements	Cash Balance Dec 31, 2017
Customer Deposits	\$ 1,400	\$ 0	\$ 200	\$ 1,200
Payroll Clearing	233	97,218	97,274	177
Sales Tax Clearing	832	2,382	2,232	982
Total	<u>\$ 2,465</u>	<u>\$ 99,600</u>	<u>\$ 99,706</u>	<u>\$ 2,359</u>

See accompanying auditor's report.