

**CITY OF DOUGLASS, KANSAS**

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**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED DECEMBER 31, 2017**

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**George, Bowerman & Noel, P.A.**  
*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and  
City Council  
Douglass, Kansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Douglass, Kansas (City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 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 statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Douglass, Kansas, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Library Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Douglass's basic financial statements. The combining and individual nonmajor fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

George, Bowlerman & Noel, P.A.

Wichita, Kansas  
May 21, 2018

**CITY OF DOUGLASS, KANSAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Year Ended December 31, 2017**

As management of the City of Douglass (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017.

**FINANCIAL HIGHLIGHTS**

- The total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,400,658 (net position). Of this amount, \$2,954,462 represents the City's net investment in capital assets. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.
- At year-end, the governmental activities reported net position of \$1,320,000 and the business-type activities of the City reported net position of \$2,080,658.
- The City's total net position increased by \$168,061 which is comprised of an increase of \$97,247 for governmental activities and an increase of \$70,814 for business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$369,168. Of this amount, the General Fund reported a fund balance of \$209,614, the Library Fund reported a fund balance of \$6,609 and nonmajor governmental funds reported total fund balances of \$152,945.
- At the end of the current fiscal year, total fund balance for the General Fund was \$209,614 or 30% of the total General Fund expenditures and transfers out for 2017.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

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

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in the future fiscal periods (e.g., earned but not used compensated absences).

Both of the government-wide financial statements present the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, public improvements, street improvement and maintenance, planning and zoning, recreation and other activities. The business-type activities include water, sewer and solid waste utility services.

The government-wide financial statements include not only the City itself, but also the Douglass Public Library, which is a legally separate entity for which the City is financially accountable. Financial information for the Douglass Public Library is reported separately from the financial information presented for the primary government itself since it is considered a discretely presented component unit.

The government-wide financial statements can be found on pages 12 and 13 of this report.

**Fund financial statements** – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an entity's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 8 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Library Fund, which are considered as major funds. Data from the remaining 6 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the report.

The basic governmental fund financial statements can be found on pages 14 to 22 of this report.

**Proprietary Funds** – The City maintains only one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and solid waste operations. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all enterprise funds, which are considered major funds of the City. The proprietary fund financial statements can be found on pages 23 to 27 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 to 58 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the City, assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$3,400,658 as of December 31, 2017.

The largest portion of the City's net position (87%) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, infrastructure and construction work in process), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

### CITY OF DOUGLASS'S NET POSITION

December 31, 2017

(with comparative amounts at December 31, 2016)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 797,342	\$ 696,493	\$ 390,336	\$ 409,037	\$ 1,187,678	\$ 1,105,530
Capital assets	<u>1,199,453</u>	<u>1,210,500</u>	<u>3,299,325</u>	<u>3,392,943</u>	<u>4,498,778</u>	<u>4,603,443</u>
Total assets	<u>1,996,795</u>	<u>1,906,993</u>	<u>3,689,661</u>	<u>3,801,980</u>	<u>5,686,456</u>	<u>5,708,973</u>
Deferred outflows or resources related to pensions	<u>24,380</u>	<u>31,344</u>	<u>31,030</u>	<u>43,285</u>	<u>55,410</u>	<u>74,629</u>
Long-term liabilities	264,756	282,933	1,601,000	1,790,994	1,865,756	2,073,927
Other liabilities	<u>10,608</u>	<u>9,526</u>	<u>24,370</u>	<u>32,331</u>	<u>34,978</u>	<u>41,857</u>
Total liabilities	<u>275,364</u>	<u>292,459</u>	<u>1,625,370</u>	<u>1,823,325</u>	<u>1,900,734</u>	<u>2,115,784</u>
Deferred inflows of resources:						
Property taxes receivable	414,291	414,366	–	–	414,291	414,366
Related to net Pension liability	<u>11,520</u>	<u>8,759</u>	<u>14,663</u>	<u>12,096</u>	<u>26,183</u>	<u>20,855</u>

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Total deferred inflows	\$ 425,811	\$ 423,125	\$ 14,663	\$ 12,096	\$ 440,474	\$ 435,221
Net position:						
Net investment						
in capital assets	1,075,814	1,071,096	1,878,648	1,803,614	2,954,462	2,874,710
Restricted	159,554	130,024	308,278	295,344	467,832	425,368
Unrestricted	84,632	21,633	(106,268)	(89,114)	(21,636)	(67,481)
Total net position	\$ 1,320,000	\$ 1,222,753	\$ 2,080,658	\$ 2,009,844	\$ 3,400,658	\$ 3,232,597

The City's overall financial position has improved, with an increase in net position of \$168,061 for the current year compared to an increase of \$561,086 for the prior year. Of the current year net increase, an increase of \$97,247 can be attributed to governmental activities and the business-type activities reflect an increase of \$70,814. Net position of the governmental activities is comprised of \$1,075,814 of net investment in capital assets, \$159,554 of restricted net position and the balance of net position is comprised of unrestricted net position of \$84,632.

The net position of the business-type activities increased by \$70,814 for 2017. The net investment in capital assets increased by \$75,034 with capital asset acquisitions increasing by \$15,140 and debt reduction of \$168,651 with depreciation reducing net capital assets by \$108,757 (depreciation net of asset disposals).

**Analysis of the City's operations** – The following table provides a summary of the City's operations for the year ended December 31, 2017 with comparative amounts for the year ended December 31, 2016.

### CITY OF DOUGLASS'S CHANGES IN NET POSITION

Year Ended December 31, 2017

(with comparative amounts for the year ended December 31, 2016)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 107,487	\$ 97,736	\$ 875,437	\$ 883,824	\$ 982,924	\$ 981,560
Operating grants and contributions	56,554	55,282	–	–	56,554	55,282
Capital grants and contributions	–	–	–	494,922	–	494,922
General revenues:						
Property taxes	465,640	450,312	–	–	465,640	450,312
Sales taxes	237,834	225,012	–	–	237,834	225,012
Franchise fees	60,018	57,663	–	–	60,018	57,663
Investment earnings	1,565	961	–	–	1,565	961
Total revenues	929,098	886,966	875,437	1,378,746	1,804,535	2,265,712
Expenses:						
General government	263,282	228,282	–	–	263,282	228,282
Public safety	165,562	156,809	–	–	165,562	156,809
Highways and streets	211,552	304,573	–	–	211,552	304,573
Health and sanitation	3,377	5,797	–	–	3,377	5,797
Culture and recreation	154,726	160,279	–	–	154,726	160,279
Interest on long-term debt	5,756	4,558	–	–	5,756	4,558

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Water	\$ —	\$ —	\$ 410,515	\$ 454,755	\$ 410,515	\$ 454,755
Sewer	—	—	271,085	268,734	271,085	268,734
Solid waste	—	—	150,619	150,839	150,619	150,839
Total expenses	<u>804,255</u>	<u>860,298</u>	<u>832,219</u>	<u>874,328</u>	<u>1,636,474</u>	<u>1,734,626</u>
Increases (decrease) in net position before transfers	124,843	26,668	43,218	504,418	168,061	531,086
Transfers in (out)	<u>(27,596)</u>	<u>(37,864)</u>	<u>27,596</u>	<u>37,864</u>	<u>—</u>	<u>—</u>
Increase (decrease) in net position	97,247	(11,196)	70,814	542,282	168,061	531,086
Net position, beginning of year	<u>1,222,753</u>	<u>1,233,949</u>	<u>2,009,844</u>	<u>1,467,562</u>	<u>3,232,597</u>	<u>2,701,511</u>
Net position, end of year	<u>\$ 1,320,000</u>	<u>\$ 1,222,753</u>	<u>\$ 2,080,658</u>	<u>\$ 2,009,844</u>	<u>\$ 3,400,658</u>	<u>\$ 3,232,597</u>

Total revenues for the governmental activities increased by \$42,132 for the current year. The largest increase was in property taxes, which increased by \$15,328 and was anticipated in the 2017 budgeting process. Changes for services increased by \$9,751 with operating grants and contributions increasing by \$1,272, sales tax revenues increased by \$12,822 and franchise fees increased by \$2,355. Interest earnings also increased by \$604.

Total expenses for the governmental activities decreased by \$56,043, or 2.45% for 2017. General government expenses increased by \$35,000 for 2017. This was principally attributed to planning and zoning increased costs of \$16,835, utility cost increases of \$9,973, increased supply costs of \$3,119, miscellaneous expense costs of \$5,073. Public safety costs increased by \$8,753 principally due to costs incurred related to the law enforcement contract with Butler County during 2017. Highway and street expenses decreased by \$93,021 for 2017 as a result of increased costs incurred for capitalization improvements of \$106,899 however, net pension costs allocated to streets maintenance functions increased by \$2,446, depreciation expense increased by \$790 and overall street maintenance operating costs increased by \$10,642. Health and sanitation expenses decreased by \$2,420 and can be attributed to public health officer operating expense decreases. Culture and recreation functional expenses decreased by \$5,553, which can be attributed to decreased swimming pool expenses for commodities of \$4,428 for 2017. Interest on long-term debt increased by \$1,198 due to capital leases added during 2016.

The business-type activity revenues decreased by \$503,309 for 2017. The Sewer Utility received a capital grant of \$494,922 during 2016 to assist with the sewer line improvement project costs. Charges for services decreased by \$8,387 for 2017. The Water Utility Fund operating revenues decreased \$9,071, the Sewer Utility Fund operating revenues decreased \$607 and the Solid Waste Utility Fund operating revenues increased by \$1,291. The water customer consumption of water increased about 5% for 2017 however, operating revenues do not reflect this amount of increase due to the increase being absorbed in the base rate component of the City's water rate structure. In addition the base water rates were increased about 6% effective in August 2017. The sewer rates increased in August 2017 by approximately 3% of the base service charge. The current year decrease in revenues was only about .2% and can be attributed to a decrease in commercial customer revenue. The City's solid waste operations provided increased fees in May 2015, which required an adjustment to increase residential customer rates by approximately 1.5%. The solid waste service provider contract allows for an annual increase based on the change in the consumer price index plus an adjustment for landfill fees and increased fuel costs incurred by the provider. The solid waste service provider did not pass on any increases in 2016 or 2017 related to adjustments allowed under the service contract.

The expenses for business-type activities decreased by \$42,109 for 2017. The Water Utility Fund incurred a decrease in operating expenses of \$41,751 primarily due to decreased salary and benefit costs of \$17,185 and decreased commodity costs of \$22,762. Sewer Utility Fund operating expenses decreased \$1,013 primarily due to decreased personal service costs of \$6,465, contractual service costs of \$8,225 and commodity costs of \$8,222 however, depreciation expense increased by \$21,899 for 2017. Solid Waste Fund operating costs decreased by \$220 with third party contract refuse service expenses reflecting an increase in expenses of \$219 and commodity costs for utility billing supplies decreasing \$439.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$369,168, an increase of \$98,952 from 2016. The General Fund comprised \$209,614, the Library Fund balance was \$6,609 and the Capital Project funds comprised \$108,551 of the total combined fund balances at December 31, 2017. The Debt Service Fund had an ending fund balance of \$80 and the remaining nonmajor special revenue funds comprised the remaining \$44,314 of the total combined fund balances.

The General Fund is the primary operating fund of the City. At December 31, 2017, the unrestricted and total fund balance of the General Fund was \$209,614, which is an increase from the prior year of \$69,422. Increased taxes (property and sales taxes) of \$56,303 and increased building permits of \$33,651 attributed to the improved financial condition of the General Fund. Municipal court fines and fees decreased by \$27,626 for 2017. As a measure of the General Fund's liquidity, the total fund balance represents approximately 30% of the total General Fund expenditures and transfers out for 2017 compared to 21% for the prior year.

The Library Fund accounts for the tax levied and subsequently appropriated to the Douglass Public Library Board to provide resources for the operation of the public library. The taxes collected increased \$2,387 for 2017. Total appropriations were \$82,781 for 2017 and \$82,373 for 2016.

**Proprietary funds** – The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Water, Sewer and Solid Waste utility operating revenues decreased \$8,387, or about 1%. A rate increase was initiated during August 2017 for the Water and Sewer Utility Funds of approximately 6% and 3%, respectively. There were no rate increases during 2017 for the Solid Waste Utility. The total net position of the Water, Sewer and Solid Waste utilities increased (decreased) for 2017 by \$3,440, \$72,964 and \$(5,590), respectively. The Solid Waste Utility transferred \$20,000 to the General Fund during 2017 to help defray administrative costs incurred on behalf of the Solid Waste Utility.

**General Fund Budgetary Highlights** – The General Fund total actual revenues were approximately 3% less than the total amount anticipated in the 2017 budget. Budgetary expenditures totaled \$699,792, which represented 83% of the budgeted expenditures for 2017. The result was an increase in budgetary basis fund balance for the General Fund in the amount of \$68,798 for 2017. The General Fund budgetary fund balance at year-end was \$186,897 with the 2018 budget anticipating a carryover balance of \$127,350.

## CAPITAL ASSETS

The City's net investment in governmental activities capital assets as of December 31, 2017 amounts to \$1,199,453 (net of accumulated depreciation). The net investment in capital assets includes land, buildings and improvements, machinery and equipment and infrastructure (streets, sidewalks and drainage systems).

The City's net investment in capital assets for its business-type activities as of December 31, 2017 amounts to \$3,299,325 (net of accumulated depreciation). The net investment in capital assets includes land, buildings, improvements other than buildings, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- New metal back door at City Hall at a cost of \$1,857.
- A new computer for the City Treasurer costing \$835.
- A new roof at the Swimming Pool building at a cost of \$4,560.
- Street improvements with a total cost of \$106,898.
- A new chlorine analyzer for the water facilities costing \$4,421.
- A new shed for the chlorine analyzer at a cost of \$690.
- Upgrades to the sewer monitoring system at a cost of \$10,029.

### Capital Assets at Year-End Net of Accumulated Depreciation

December 31, 2017

(with comparative amounts at December 31, 2016)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 124,937	\$ 124,937	\$ 140,984	\$ 140,984	\$ 265,921	\$ 265,921
Buildings and improvements	205,633	217,509	71,365	73,765	276,998	291,274
Improvements other than buildings	–	–	3,021,640	2,116,807	3,021,640	2,116,807
Machinery and equipment	41,510	52,787	65,336	66,299	106,846	119,086
Infrastructure	827,373	815,268	–	–	827,373	815,268
Construction work in process	–	–	–	995,088	–	995,088
<b>Total</b>	<b><u>\$ 1,199,453</u></b>	<b><u>\$ 1,210,501</u></b>	<b><u>\$ 3,299,325</u></b>	<b><u>\$3,392,943</u></b>	<b><u>\$ 4,498,778</u></b>	<b><u>\$ 4,603,444</u></b>

Additional information on the City's capital assets can be found in Note 3 on pages 39 to 41 of this report.

## **DEBT ADMINISTRATION**

At the end of the current fiscal year, the City had total bonded debt obligations outstanding of \$170,000, outstanding commitments under capital lease arrangements of \$115,930, notes payable to the Kansas Department of Health and Environment of \$1,137,697 and a contractual agreement with Butler County Rural Water District No. 6 in the amount of \$120,689. During 2017 the City retired \$17,295 of capital lease obligations and \$30,000 of general obligation bonds.

The City retired \$114,750 of principal on notes payable to the Kansas Department of Health and Environment (KDHE) during 2017. \$22,372 of the Rural Water District contract payable debt was retired during 2017.

At December 31, 2017 the City's net pension liability for the City's proportionate share of the net unfunded liability for the Kansas Public Employee's Retirement System (KPERs) was \$298,367, a net decrease of \$27,020 from December 31, 2016. The City's liability for compensated absences at December 31, 2017 was \$23,073, a net increase of \$3,266 for 2017.

Additional information on the City's long-term debt can be found in Note 4 on pages 41 to 47 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The annual budget is developed to provide efficient, effective and economical uses of the City's resources. The budget is the most important annual policy statement the elected officials can make. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The elected officials and appointed staff considered many factors when setting the fiscal year 2018 budget which impacts the property tax rate and fees that will be charged for business-type activities. The lack of any significant local economic improvements weighed heavily in the City Council's budgeting decisions. Those factors included the following:

- Maintaining competitive employee salaries and benefits to retain current employees and attract new employees when necessary.
- Maintaining appropriate revenue streams to allow for limited new debt and orderly debt reduction.
- Property tax revenues are budgeted with an increase of \$4,066 with assessed values increasing by \$89,274, or about 1.2%, resulting in a total mill levy decrease of .167 mills.

In the 2018 budget, General Fund revenues are budgeted to decrease \$49,236 or about 6% from the 2017 budget year. Expenditures are budgeted for 2018 at an increase of \$27,684, or about 3%, from the 2017 level. Ad valorem property taxes account for approximately 42% of the revenue sources for the General Fund's 2018 budget. Certified assessed valuations, on which ad valorem property taxes are levied, increased \$89,274 or 1.2% from the preceding year assessed valuation amount, and totaled \$7,303,198 for the 2018 budget year. Although the City has increased carryover balances and local sales tax collections are projected at a slight increase, the City Council has continued to take a very cautious approach to revenue estimating and expenditure appropriation. The City's total mill levy for the 2018 budget year is 58.996 mills as compared to 59.163 mills for the 2017 budget year. One mill equals \$1 for every \$1,000 of

assessed valuation. In November 2012 voters of the City approved a 1% sales tax to be renewable every 7 years for the purpose of property tax relief. Collections from this newly initiated sales tax began in July 2013. This action brings the total local retailers sales tax rate to 2% for the City. The local sales tax revenues provide about 28% of the total General Fund revenues in the 2018 budget.

### **REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City Clerk/Administrator, at 322 South Forrest Street, P.O. Box 412, Douglass, Kansas 67039, or call (316) 747-2109.

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF DOUGLASS, KANSAS**  
**STATEMENT OF NET POSITION**

**December 31, 2017**

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		
<b><u>ASSETS</u></b>				
Cash and investments	\$ 355,236	\$ 3,981	\$ 359,217	\$ 70,196
Receivables:				
Property taxes	414,291	—	414,291	—
Sales taxes	17,100	—	17,100	—
Franchise fees	5,616	—	5,616	—
Trade accounts	—	78,085	78,085	—
Prepaid items	5,099	—	5,099	—
Restricted assets	—	308,270	308,270	—
Capital assets:				
Land	124,937	140,984	265,921	—
Buildings	569,351	128,275	697,626	—
Improvements other than buildings	—	4,878,829	4,878,829	54,510
Infrastructure	2,132,944	—	2,132,944	—
Machinery and equipment	406,865	352,786	759,651	103,607
Less accumulated depreciation	(2,034,644)	(2,201,549)	(4,236,193)	(62,594)
Total assets	<u>1,996,795</u>	<u>3,689,661</u>	<u>5,686,456</u>	<u>165,719</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred outflows of resources related to pensions	<u>24,380</u>	<u>31,030</u>	<u>55,410</u>	<u>4,654</u>
<b><u>LIABILITIES</u></b>				
Liabilities:				
Accounts payable	3,821	5,938	9,759	—
Accrued payroll payable	4,963	8,643	13,606	—
Accrued interest payable	1,824	9,789	11,613	—
Noncurrent liabilities:				
Due within one year	19,836	179,445	199,281	—
Due in more than one year	<u>244,920</u>	<u>1,421,555</u>	<u>1,666,475</u>	<u>22,625</u>
Total liabilities	<u>275,364</u>	<u>1,625,370</u>	<u>1,900,734</u>	<u>22,625</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred inflows of resources:				
Property taxes receivable	414,291	—	414,291	—
Related to net pension liability	<u>11,520</u>	<u>14,663</u>	<u>26,183</u>	<u>1,921</u>
Total deferred inflows of resources	<u>425,811</u>	<u>14,663</u>	<u>440,474</u>	<u>1,921</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	1,075,814	1,878,648	2,954,462	95,523
Restricted for:				
General government	38,591	—	38,591	—
Street improvements	5,723	—	5,723	—
Culture and recreation	6,609	—	6,609	—
Capital equipment and improvements	108,551	—	108,551	—
Debt service	80	—	80	—
Water and sewer system improvements	—	308,278	308,278	—
Unrestricted	<u>84,632</u>	<u>(106,268)</u>	<u>(21,636)</u>	<u>50,304</u>
Total net position	<u>\$ 1,320,000</u>	<u>\$ 2,080,658</u>	<u>\$ 3,400,658</u>	<u>\$ 145,827</u>

The accompanying notes are an integral  
part of the financial statements.

## CITY OF DOUGLASS, KANSAS

## STATEMENT OF ACTIVITIES

Year ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General government	\$ 263,282	\$ 52,073	\$ --	\$ --	\$ (211,209)	\$ --	\$ (211,209)	\$ --
Public safety	165,562	35,401	--	--	(130,161)	--	(130,161)	--
Highways and streets	211,552	--	52,154	--	(159,398)	--	(159,398)	--
Health and sanitation	3,377	--	--	--	(3,377)	--	(3,377)	--
Culture and recreation	154,726	20,013	--	--	(134,713)	--	(134,713)	--
Interest on long-term debt	5,756	--	4,400	--	(1,356)	--	(1,356)	--
Total Governmental Activities	<u>\$ 804,255</u>	<u>\$ 107,487</u>	<u>\$ 56,554</u>	<u>\$ --</u>	<u>(640,214)</u>	<u>--</u>	<u>(640,214)</u>	<u>--</u>
<b>Business-Type Activities:</b>								
Water Utility	\$ 410,515	\$ 413,955	\$ --	\$ --	--	3,440	3,440	--
Sewer Utility	271,085	296,453	--	--	--	25,368	25,368	--
Solid Waste	150,619	165,029	--	--	--	14,410	14,410	--
Total Business-Type Activities	<u>\$ 832,219</u>	<u>\$ 875,437</u>	<u>\$ --</u>	<u>\$ --</u>	<u>--</u>	<u>43,218</u>	<u>43,218</u>	<u>--</u>
<b>Component Unit:</b>								
Douglass Public Library	<u>\$ 112,421</u>	<u>\$ 2,226</u>	<u>\$ 23,427</u>	<u>\$ 2,500</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(84,268)</u>
<b>General Revenues and Transfers:</b>								
General revenues:								
Property taxes levied for:								
General purposes					462,705	--	462,705	--
Debt service					2,935	--	2,935	--
Sales taxes					237,834	--	237,834	--
Franchise taxes					60,018	--	60,018	--
Payment from City of Douglass					--	--	--	82,781
Grants and entitlements not restricted to specific programs					--	--	--	12,936
Investment earnings					1,565	--	1,565	159
Transfers in (out)					(27,596)	27,596	--	--
Total general revenues and transfers					<u>737,461</u>	<u>27,596</u>	<u>765,057</u>	<u>95,876</u>
Change in net position					97,247	70,814	168,061	11,608
Net position at beginning of year					<u>1,222,753</u>	<u>2,009,844</u>	<u>3,232,597</u>	<u>134,219</u>
Net position at end of year					<u>\$ 1,320,000</u>	<u>\$ 2,080,658</u>	<u>\$ 3,400,658</u>	<u>\$ 145,827</u>

The accompanying notes are an integral part of the financial statements.

## **FUND FINANCIAL STATEMENTS**

**CITY OF DOUGLASS, KANSAS**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**December 31, 2017**

	<u>General</u>	<u>Library</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and short-term investments	\$ 192,756	\$ 6,609	\$ 155,871	\$ 355,236
Property taxes receivable	310,560	70,760	32,971	414,291
Sales tax receivable	17,100	—	—	17,100
Franchise fees receivable	<u>5,616</u>	<u>—</u>	<u>—</u>	<u>5,616</u>
Total assets	<u>\$ 526,032</u>	<u>\$ 77,369</u>	<u>\$ 188,842</u>	<u>\$ 792,243</u>
<b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>				
Liabilities:				
Salaries and wages payable	\$ 2,989	\$ —	\$ 1,974	\$ 4,963
Accounts payable	<u>2,869</u>	<u>—</u>	<u>952</u>	<u>3,821</u>
Total liabilities	<u>5,858</u>	<u>—</u>	<u>2,926</u>	<u>8,784</u>
Deferred inflows of resources:				
Property taxes receivable	<u>310,560</u>	<u>70,760</u>	<u>32,971</u>	<u>414,291</u>
Fund balances:				
Restricted for:				
General government	—	—	38,591	38,591
Street improvements	—	—	5,723	5,723
Culture and recreation	—	6,609	—	6,609
Capital equipment and improvements	—	—	108,551	108,551
Debt service	—	—	80	80
Committed for:				
General government	127,350	—	—	127,350
Unassigned	<u>82,264</u>	<u>—</u>	<u>—</u>	<u>82,264</u>
Total fund balances	<u>209,614</u>	<u>6,609</u>	<u>152,945</u>	<u>369,168</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 526,032</u>	<u>\$ 77,369</u>	<u>\$ 188,842</u>	<u>\$ 792,243</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF DOUGLASS, KANSAS**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

**December 31, 2017**

Total Governmental Fund Balances			\$ 369,168
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (capital assets net of accumulated depreciation):			
Cost	\$ 3,234,097		
Accumulated depreciation	<u>(2,034,644)</u>		
		1,199,453	
Other assets not available to pay for current period expenditures and therefore are not reported in the governmental funds:			
Prepaid expenses		5,099	
Pension contributions are reported as an expense in the governmental funds and as a deferred outflow of resources in the statement of net position			
		24,380	
Pension fundings are reported as a revenue in the governmental funds and as a deferred inflow of resources in the statement of net position			
		(11,520)	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Accrued interest payable on general obligation bonds	1,824		
Compensated absences payable	9,836		
Capital lease obligation payable	38,639		
General obligation bonds payable	85,000		
Net pension liability	<u>131,281</u>		
		<u>(266,580)</u>	
Net Position of Governmental Activities			<u>\$ 1,320,000</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF DOUGLASS, KANSAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS**

**Year ended December 31, 2017**

	<u>General</u>	<u>Library</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 580,143	\$ 86,940	\$ 36,390	\$ 703,473
Special assessment taxes	—	—	4,400	4,400
Intergovernmental	—	—	52,154	52,154
Licenses and permits	99,702	—	—	99,702
Charges for services	20,497	—	—	20,497
Fines and forfeitures	34,942	—	—	34,942
Use of money and property	1,565	—	—	1,565
Miscellaneous	12,365	—	—	12,365
Total revenues	<u>749,214</u>	<u>86,940</u>	<u>92,944</u>	<u>929,098</u>
Expenditures:				
Current:				
General government	232,647	—	20,494	253,141
Public safety	165,048	—	—	165,048
Highways and streets	137,900	—	72,819	210,719
Health and sanitation	2,898	—	—	2,898
Culture and recreation	56,700	82,781	10,025	149,506
Debt Service	7,106	—	14,132	21,238
Total expenditures	<u>602,299</u>	<u>82,781</u>	<u>117,470</u>	<u>802,550</u>
Revenues over expenditures	<u>146,915</u>	<u>4,159</u>	<u>(24,526)</u>	<u>126,548</u>
Other financing sources (uses):				
Transfers in	20,000	—	49,897	69,897
Transfers out	(97,493)	—	—	(97,493)
Total other financing sources (uses)	<u>(77,493)</u>	<u>—</u>	<u>49,897</u>	<u>(27,596)</u>
Revenues and other sources over expenditures and other uses	69,422	4,159	25,371	98,952
Fund balances, beginning of year	<u>140,192</u>	<u>2,450</u>	<u>127,574</u>	<u>270,216</u>
Fund balances, end of year	<u>\$ 209,614</u>	<u>\$ 6,609</u>	<u>\$ 152,945</u>	<u>\$ 369,168</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF DOUGLASS, KANSAS**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES TO THE STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2017**

Net Change in Fund Balances – Total Governmental Funds \$ 98,952

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

Governmental funds report capital outlays as expenditures  
however, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense. In the current period, these  
amounts are:

Capital outlay	\$ 114,150	
Depreciation	<u>(125,197)</u>	

Depreciation expense in excess of capital outlays		(11,047)
---	--	----------

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due		(283)
--	--	-------

Repayment of debt principal is an expenditure in the  
governmental funds, but the repayment reduces long-term  
liabilities in the statement of net position:

General obligation bonds	10,000	
Capital lease obligation payment	<u>5,765</u>	
		15,765

Pension contributions is an expenditure in the governmental funds but reduces the net pension liability in the statement of net position. Additionally, the effect of changes in deferred inflows and outflows for pensions are only recorded in the statement of activities.		(4,344)
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Some expenses reported in the statement of activities do  
not require the use of current financial resources and  
therefore are not reported as expenditures in the funds:

Prepaid items	1,173	
Compensated absences payable	<u>(2,969)</u>	

Total		<u>(1,796)</u>
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Change in Net Position of Governmental Activities		<u>\$ 97,247</u>
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The accompanying notes are an integral  
part of the financial statements.

# CITY OF DOUGLASS, KANSAS

## GENERAL FUND

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS

(continued on next page)

Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Variance</u> <u>With Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	\$ 598,130	\$ 598,130	\$ 580,290	\$ (17,840)
Licenses, fees and permits	76,850	76,850	98,931	22,081
Charges for services	23,125	23,125	17,305	(5,820)
Fines and forfeitures	65,000	65,000	34,942	(30,058)
Use of money and property	3,250	3,250	1,565	(1,685)
Event Revenue	—	—	3,192	3,192
Miscellaneous	2,000	2,000	12,365	10,365
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>20,000</u>	<u>(5,000)</u>
Total revenues and other sources	<u>793,355</u>	<u>793,355</u>	<u>768,590</u>	<u>(24,765)</u>
Expenditures and other uses:				
General government:				
Administration:				
Personal services	105,000	105,000	101,692	3,308
Contractual services	105,000	105,000	95,404	9,596
Commodities	17,000	17,000	13,053	3,947
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>2,692</u>	<u>2,308</u>
Total Administration Department	<u>232,000</u>	<u>232,000</u>	<u>212,841</u>	<u>19,159</u>
Planning Department:				
Contractual services	5,000	5,000	19,571	(14,571)
Commodities	<u>500</u>	<u>500</u>	<u>236</u>	<u>264</u>
Total Planning Department	<u>5,500</u>	<u>5,500</u>	<u>19,807</u>	<u>(14,307)</u>

**CITY OF DOUGLASS, KANSAS**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL –  
BUDGETARY BASIS**

**(continued from previous page)**

**Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Safety Department:				
Contractual services	\$ 223,028	\$ 223,028	\$ 160,660	\$ 62,368
Commodities	2,800	2,800	3,503	(703)
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>669</u>	<u>331</u>
Total Public Safety Department	<u>226,828</u>	<u>226,828</u>	<u>164,832</u>	<u>61,996</u>
Street Department:				
Personal services	3,800	3,800	–	3,800
Contractual services	105,000	105,000	124,449	(19,449)
Commodities	15,000	15,000	13,280	1,720
Capital Outlay	5,000	5,000	171	4,829
Debt Service	<u>7,057</u>	<u>7,057</u>	<u>7,106</u>	<u>(49)</u>
Total Street Department	<u>135,857</u>	<u>135,857</u>	<u>145,006</u>	<u>(9,149)</u>
Storm Sewer Department:				
Contractual services	3,000	3,000	–	3,000
Commodities	<u>8,000</u>	<u>8,000</u>	<u>–</u>	<u>8,000</u>
Total Storm Sewer Department	<u>11,000</u>	<u>11,000</u>	<u>–</u>	<u>11,000</u>
Park Department:				
Contractual services	3,000	3,000	2,173	827
Commodities	3,500	3,500	354	3,146
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>–</u>	<u>15,000</u>
Total Park Department	<u>21,500</u>	<u>21,500</u>	<u>2,527</u>	<u>18,973</u>

**CITY OF DOUGLASS, KANSAS**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL –  
BUDGETARY BASIS**

**(continued from previous page)**

**Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Swimming Pool Department:				
Personal services	\$ 32,000	\$ 32,000	\$ 26,358	\$ 5,642
Contractual services	8,300	8,300	4,546	3,754
Commodities	<u>16,000</u>	<u>16,000</u>	<u>10,481</u>	<u>5,519</u>
Total Swimming Pool Department	<u>56,300</u>	<u>56,300</u>	<u>41,385</u>	<u>14,915</u>
Public Health Officer Department:				
Contractual services	2,500	2,500	1,289	1,211
Commodities	1,500	1,500	1,475	25
Capital outlay	<u>11,500</u>	<u>11,500</u>	<u>—</u>	<u>11,500</u>
Total Public Health Officer Department	<u>15,500</u>	<u>15,500</u>	<u>2,764</u>	<u>12,736</u>
Other:				
Senior Citizen Center	1,100	1,100	972	128
Library	—	—	2,035	(2,035)
Fire District utility subsidy	—	—	215	(215)
Demolition of condemned structures	10,000	10,000	5,911	4,089
Event Expenses	2,500	2,500	4,004	(1,504)
Economic development	1,000	1,000	—	1,000
Facility improvements	5,000	5,000	—	5,000
Transfers out	<u>119,700</u>	<u>119,700</u>	<u>97,493</u>	<u>22,207</u>
Total other	<u>139,300</u>	<u>139,300</u>	<u>110,630</u>	<u>28,670</u>

**CITY OF DOUGLASS, KANSAS**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL –  
BUDGETARY BASIS**

**(continued from previous page)**

**Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total expenditures, and other uses	<u>\$ 843,785</u>	<u>\$ 843,785</u>	<u>\$ 699,792</u>	<u>\$ 143,993</u>
Revenues and other sources over (under) expenditures and other uses	(50,430)	(50,430)	68,798	119,228
Fund balance, beginning of year	<u>50,430</u>	<u>50,430</u>	<u>118,099</u>	<u>67,669</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 186,897</u>	<u>\$ 186,897</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF DOUGLASS, KANSAS**

**LIBRARY FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 88,452	\$ 88,452	\$ 86,940	\$ (1,512)
Expenditures:				
Appropriation to Library Board	<u>88,452</u>	<u>88,452</u>	<u>82,781</u>	<u>5,671</u>
Revenues over expenditures	—	—	4,159	4,159
Fund balance, beginning of year	<u>—</u>	<u>—</u>	<u>2,450</u>	<u>2,450</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,609</u>	<u>\$ 6,609</u>

**CITY OF DOUGLASS, KANSAS**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**December 31, 2017**

	<u>Business-Type Activities – Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste</u>	<u>Total Enterprise Funds</u>
<b><u>ASSETS</u></b>				
Current assets:				
Cash and investments	\$ —	\$ 2,781	\$ 1,200	\$ 3,981
Trade accounts receivable	33,257	28,655	16,173	78,085
Restricted assets:				
Cash and investments	<u>126,395</u>	<u>181,875</u>	<u>—</u>	<u>308,270</u>
Total current assets	<u>159,652</u>	<u>213,311</u>	<u>17,373</u>	<u>390,336</u>
Noncurrent assets:				
Property, plant and equipment:				
Land	31,042	109,942	—	140,984
Buildings	126,220	2,055	—	128,275
Improvements other than buildings	1,381,417	3,497,412	—	4,878,829
Machinery and equipment	<u>143,633</u>	<u>207,274</u>	<u>1,879</u>	<u>352,786</u>
	1,682,312	3,816,683	1,879	5,500,874
Less accumulated depreciation	<u>(1,259,521)</u>	<u>(940,149)</u>	<u>(1,879)</u>	<u>(2,201,549)</u>
Property, plant and equipment, net	<u>422,791</u>	<u>2,876,534</u>	<u>—</u>	<u>3,299,325</u>
Deferred outflows of resources related to pensions	<u>17,177</u>	<u>13,853</u>	<u>—</u>	<u>31,030</u>
Total assets	<u>599,620</u>	<u>3,103,698</u>	<u>17,373</u>	<u>3,720,691</u>

	<u>Business-Type Activities – Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste</u>	<u>Total Enterprise Funds</u>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Salaries and wages payable	\$ 4,778	\$ 3,865	\$ –	\$ 8,643
Accounts payable	2,486	2,435	1,017	5,938
Compensated absences payable	4,639	1,674	–	6,313
Current portion of Rural Water District No. 6 note payable	23,528	–	–	23,528
Current portion of KDHE note payable	3,341	114,205	–	117,546
Current portion of capital lease obligation payable	6,028	6,030	–	12,058
Current portion of general obligation bonds payable	20,000	–	–	20,000
Accrued interest payable	547	9,242	–	9,789
Total current liabilities	<u>65,347</u>	<u>137,451</u>	<u>1,017</u>	<u>203,815</u>
Noncurrent liabilities:				
Long-term portion of compensated absences payable	6,330	594	–	6,924
Long-term portion of capital lease obligations payable	32,611	32,622	–	65,233
Long-term portion of general obligation bonds payable	65,000	–	–	65,000
Long-term portion of Rural Water District No. 6 note payable	97,161	–	–	97,161
Long-term portion of KDHE note payable	33,653	986,498	–	1,020,151
Net pension liability	92,494	74,592	–	167,086
Total other liabilities	<u>327,249</u>	<u>1,094,306</u>	<u>–</u>	<u>1,421,555</u>
Total liabilities	<u>392,596</u>	<u>1,231,757</u>	<u>1,017</u>	<u>1,625,370</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred inflows of resources related to pensions	<u>8,117</u>	<u>6,546</u>	<u>–</u>	<u>14,663</u>
<b><u>NET POSITION</u></b>				
Net position:				
Net investment in capital assets	141,469	1,737,179	–	1,878,648
Restricted for system improvements	126,403	181,875	–	308,278
Unrestricted	<u>(68,965)</u>	<u>(53,659)</u>	<u>16,356</u>	<u>(106,268)</u>
Total net position	<u>\$ 198,907</u>	<u>\$ 1,865,395</u>	<u>\$ 16,356</u>	<u>\$ 2,080,658</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF DOUGLASS, KANSAS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION –**  
**PROPRIETARY FUNDS**

**Year ended December 31, 2017**

	Business-Type Activities – Enterprise Funds			
	Water Utility	Sewer Utility	Solid Waste	Total Enterprise Funds
Operating revenues:				
Charges for services	\$ 413,955	\$ 296,453	\$ 165,029	\$ 875,437
Operating expenses:				
Personal services	170,698	139,663	–	310,361
Contractual services	44,912	29,029	149,153	223,094
Commodities	133,950	12,427	1,466	147,843
Depreciation	47,930	60,828	–	108,758
Total operating expenses	397,490	241,947	150,619	790,056
Operating income	16,465	54,506	14,410	85,381
Nonoperating revenues (expense):				
Interest expense	(13,025)	(29,138)	–	(42,163)
Income (loss) before contributions and transfers	3,440	25,368	14,410	43,218
Transfers from other funds	–	47,596	–	47,596
Transfers to other funds	–	–	(20,000)	(20,000)
Change in net position	3,440	72,964	(5,590)	70,814
Net position, beginning of year	195,467	1,792,431	21,946	2,009,844
Net position, end of year	\$ 198,907	\$ 1,865,395	\$ 16,356	\$ 2,080,658

The accompanying notes are an integral  
part of the financial statements.

**CITY OF DOUGLASS, KANSAS**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
(continued on next page)

**Year ended December 31, 2017**

	<u>Business-Type Activities – Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste</u>	<u>Total Enterprise Funds</u>
Cash flows from operating activities:				
Cash received from customers	\$ 413,960	\$ 295,823	\$ 165,508	\$ 875,291
Cash payments for materials and services	(184,588)	(41,658)	(150,894)	(377,140)
Cash payments to employees for services	(174,099)	(142,768)	—	(316,867)
Net cash provided by (used for) operating activities	<u>55,273</u>	<u>111,397</u>	<u>14,614</u>	<u>181,284</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(5,111)	(10,029)	—	(15,140)
Principal paid on Rural Water District No. 6 note payable	(22,371)	—	—	(22,371)
Principal paid on KDHE note payable	(3,226)	(111,524)	—	(114,750)
Principal paid on capital leases	(5,765)	(5,765)	—	(11,530)
Principal paid on general obligation bonds	(20,000)	—	—	(20,000)
Interest paid on debt	(13,074)	(30,862)	—	(43,936)
Net cash provided (used) by capital and related financing activities	<u>(69,547)</u>	<u>(158,180)</u>	<u>—</u>	<u>(227,727)</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	—	47,596	—	47,596
Transfers to other funds	—	—	(20,000)	(20,000)
Net cash flows from noncapital financing activities	<u>—</u>	<u>47,596</u>	<u>(20,000)</u>	<u>27,596</u>
Net increase (decrease) in cash and cash equivalents	(14,274)	813	(5,386)	(18,847)
Cash and cash equivalents, beginning of year	<u>140,669</u>	<u>183,843</u>	<u>6,586</u>	<u>331,098</u>
Cash and cash equivalents, end of year	<u>\$ 126,395</u>	<u>\$ 184,656</u>	<u>\$ 1,200</u>	<u>\$ 312,251</u>
 Cash and cash equivalents	\$ —	\$ 2,781	\$ 1,200	\$ 3,981
Restricted cash and cash equivalents included in restricted cash and investments	<u>126,395</u>	<u>181,875</u>	<u>—</u>	<u>308,270</u>
Cash and cash equivalent, end of year	<u>\$ 126,395</u>	<u>\$ 184,656</u>	<u>\$ 1,200</u>	<u>\$ 312,251</u>

**CITY OF DOUGLASS, KANSAS**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
(continued from previous page)

**Year ended December 31, 2017**

	<u>Business-Type Activities – Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Solid Waste</u>	<u>Total Enterprise Funds</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 16,465	\$ 54,506	\$ 14,410	\$ 85,381
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	47,930	60,828	—	108,758
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	5	(630)	479	(146)
Decrease (increase) in deferred outflows of resources related to pensions	6,704	5,551	—	12,255
Increase (decrease) in salaries and wages payable	(307)	321	—	14
Increase (decrease) in accounts payable	(5,726)	(202)	(275)	(6,203)
Increase (decrease) in deferred inflows of resources related to pensions	1,443	1,124	—	2,567
Increase (decrease) in compensated absences payable	389	(92)	—	297
Increase (decrease) in net pension liability	<u>(11,630)</u>	<u>(10,009)</u>	<u>—</u>	<u>(21,639)</u>
Net cash provided by operating activities	<u>\$ 55,273</u>	<u>\$ 111,397</u>	<u>\$ 14,614</u>	<u>\$ 181,284</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DOUGLASS, KANSAS**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

The City operates under a Mayor-Council form of government consisting of an elected Mayor and five council persons and provides services to its citizens in the areas of highways and streets, water, sewer and solid waste utilities, public improvement, public safety, planning and zoning, recreation and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Douglass, Kansas (the primary government) and its component units, entities for which the government is considered to be financially accountable. The component unit discussed in the following paragraphs has a December 31st year-end.

**Discretely presented component unit**

The component unit column in the government-wide financial statements includes the financial data of the City's component unit. It is reported in a separate column to emphasize that it is legally separate from the City however, the governing body of this component unit is appointed by the City Council. The City's component unit is accounted for using the same principles as the governmental fund types of the City.

The Douglass Public Library Board operates the public library in the City. The Library Board may not purchase or lease a site or erect a building for use of the library without the approval of the City Council. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs and public donations. The Library Board does not issue separate audited financial statements.

**Basis of presentation**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The City's basic financial statements include both government-wide, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Government-wide financial statements**

The government-wide financial statements, consisting of the statement of net position and the statement of activities, display all the nonfiduciary activities of the primary government and its component units. Generally, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In addition, the primary government is reported discretely from the legally separate component unit for which the primary government is financially accountable. The statement of net position presents the financial condition of the City and its component unit at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipient for goods or services or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which a given function or segment is self-financing or draws from the general revenues of the City.

### **Fund financial statements**

During the year, the City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column in the fund financial statements.

### **Measurement focus and basis of accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenues to be available in the period for which levied and other revenues if they are collected with

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

in 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

**General Fund** – The General Fund is the government’s primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund.

**Library Fund** – The Library Fund is used to account for the levy of property taxes by the City that is appropriated to the Library Board to provide resources for the operation of the Douglass Public Library.

The City reports the following major proprietary funds:

**Water Utility Fund** – The Water Utility Fund is used to account for and report the operation of the municipal water utility including water supply, treatment and distribution.

**Sewer Utility Fund** – The Sewer Utility Fund is used to account for and report the operation of the municipal sewer utility including the collection and treatment of wastewater.

**Solid Waste Fund** – The Solid Waste Fund is used to account for and report the operation of the refuse collection and disposal. The City contracts with a third-party service provider for these services.

The City also reports the following fund types:

**Special Revenue Funds** – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

**Debt Service Fund** – The Debt Service Fund accounts for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest on long-term general obligation debt of governmental funds.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital Project Funds – The Capital Project Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments for charges between the City's enterprise funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses.

Property taxes are not susceptible to accrual. Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and consequently, for revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Licenses, fees, fines, forfeitures and other revenue are generally not susceptible to accrual and are recorded when received in cash.

### **Cash and short-term investments**

The City pools cash from all funds for the purpose of increasing income through investment activities. Investments are carried at fair value using selected bases. Cash deposits are reported at a carrying amount that approximates fair value. For purposes of the statement of cash flows, the Water Utility, Sewer Utility and Solid Waste funds consider all highly liquid investments (including restricted assets) with a maturity date of three months or less when purchased to be cash equivalents.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Investments consist of money market accounts and certificates of deposit. Interest income on investments is credited to the various funds based on their average invested cash balances.

### **Property taxes receivable**

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred revenue on the balance sheets of the appropriate funds. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

### **Special assessments receivable**

As required by State statutes, projects financed in part by special assessments are financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City and are retired from the City's Debt Service Fund. Further, State statutes permit levying additional general ad valorem property taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate construction project. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service Fund. Special assessment taxes are levied over a ten-year period and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, there were no outstanding special assessment taxes levied.

### **Sales tax receivable**

The City imposes a 2% local sales tax that is collected by the State and remitted to the City on a monthly basis. 1% of the sales tax is allocated 40% for sewer improvements, 30% for street improvements and 30% for property tax relief. The additional 1% local sales tax is to be used to finance the general operations of the City. The accrued sales tax receivable represents the sales tax collected by the merchants and held by the State at year-end. Such taxes are available to liquidate expenditures of the current period and are accrued as revenues at year-end.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Franchise fees receivable**

Franchise fees are remitted to the City on a monthly, quarterly or annual basis. Such fees are based on gross receipts by the franchisor for the remittance period. At year-end, the franchise fees based on gross receipts during the City's fiscal year have been accrued as revenues since they are considered available to liquidate expenditures of the current period.

### **Other taxes and revenues**

Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and consequently, for revenue recognition purposes, amounts collected and held by the state on behalf of the City at year-end are not due and receivable until the ensuing year.

Licenses, fees, fines, forfeitures and other revenues are generally not susceptible to accrual and are recorded when received in cash.

### **Utility accounts receivable**

The City records water revenues billed to its customers when meters are read on a monthly basis. Charges for sewage treatment and refuse services are also billed monthly. It is not practicable to estimate unbilled service receivables at December 31, 2017 and, further, the amounts thereof are not material in relation to the financial statements taken as a whole.

### **Inventories and prepaid items**

The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenses when purchased. The inventory of consumable supplies is not considered significant to the City's financial statements.

Prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase in the fund financial statements.

### **Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial individual cost of at least \$500. Capital assets are valued at historical cost, or estimated historical cost (if actual historical cost is not available). The historical cost, or estimates of historical cost, for the City's infrastructure assets include only those assets acquired subsequent to January 1, 1996. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. For proprietary funds, interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. Additionally, in situations involving the acquisition of certain assets financed with the proceeds of tax-exempt borrowing, any interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining either capitalization rates or limitations on the amount of interest costs to be capitalized.

Property, plant and equipment of the primary government and its component unit is depreciated using the straight line method over the following estimated useful lives:

Buildings and structures	20 to 40 years
Improvements other than buildings	20 to 40 years
Infrastructure (streets and sidewalks)	20 years
Infrastructure (drainage systems)	30 years
Machinery and equipment	3 to 20 years

### **Amortization**

Amortization of the City's right to use the Rural Water District No. 6 water lines is provided on the straight-line method over a 40-year period. Amortization expense for the year ended December 31, 2017 was \$21,152 and is recorded in the Water Utility fund.

### **Compensated absences**

The City's policies regarding vacation permits full-time employees with one year of service to earn 5 days vacation pay, two to nine years of service earn 10 days vacation pay, ten to nineteen years of service earn 15 days vacation pay and twenty or more years of service earn 20 days per year. A maximum of 20 days may be carried over from one year to another with the approval of the City Council. Sick leave is allowed to accumulate at the rate of one day for each full month of service with a maximum accumulation of 320 hours. At termination, an employee shall be compensated for all accumulated vacation pay and all accumulated sick leave is canceled. The liabilities for accrued compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds statements only if they have matured, for example, as a result of employee termination or retirement.

### **Accrued liabilities and long-term debt**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, general obligation bonds and capital lease obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

For governmental funds, bond premiums and discounts (if insignificant in amount), as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount, if significant. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

A long-term liability for the revolving loan notes payable to the Kansas Department of Health and Environment are recorded in the Water Utility and Sewer Utility enterprise funds. Principal payments are deducted from the liability as made.

The capitalized lease obligations are recorded as liabilities in the government-wide financial statements. The capitalized lease obligations are recorded in the Water Utility and Sewer Utility Funds and subsequent lease payment principal amounts are accounted for as reductions in the liability. The principal payments on the capitalized lease obligation recorded in the General Fund are reported as reductions in the liability for the government-wide financial statements and as debt service expenditures in the fund financial statements.

### **Concentration of credit risk**

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, all of which are located within the environs of the City. The City requires a non-refundable "set up" charge of \$50 for any new water, sewer or solid waste service from the City.

### **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 for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### **Pension plans**

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System, which is a cost sharing multi-employer statewide defined benefit pension plan. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually by the system's actuary.

### **Deferred Inflows of Resources/Deferred Outflows of Resources**

A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The City has identified changes in the pension liability proportion and differences between expected and actual experience as financial items that meet the definition of a deferred outflow of resources. The City identified property taxes receivable and pension related items of differences between

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

expected and actual experience, differences between projected and actual investment earnings, changes in assumptions and changes in pension liability proportion as financial balances that meet the definition of a deferred inflow of resources.

### Equity Classifications

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

- Net investment in capital assets – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisitions, construction or improvements of those assets.
- Restricted net position – consisting of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.
- Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

As prescribed by Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental fund balance classifications are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be expended. In the governmental funds financial statements, equity is classified into potentially five components:

- Nonspendable – Assets that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained in tact.
- Restricted – Assets with externally imposed constraints such as those mandated by creditors, grantors, and contributors, or laws and regulations. Such constraint is binding unless modified or rescinded by the applicable external body, laws or regulations.
- Committed – Assets with a purpose formally imposed by resolution or ordinance by the City Council, binding unless modified or rescinded by the City Council.
- Assigned – Comprised of amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City Council or (2) a body or official to whom the City Council has delegated the authority to assign amounts to be used for specific purposes as prescribed by the City’s policies.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Unassigned – All amounts not included in the other fund balance classifications. The General Fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

In circumstances when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

The City has no formal fund balance policies regarding the maintenance of minimum unrestricted fund balances.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Budgetary principles**

The City is required by state statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service fund and enterprise funds. The Capital Project fund types are exempted from budgetary requirements. 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 revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to 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 amendments by the governing body to the originally adopted budget for 2017.

Kansas 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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year. Accordingly, the actual data presented in the budgetary comparison statements can differ from the data presented in the financial statements prepared in accordance with generally accepted accounting principles (GAAP). There were no material encumbrances outstanding at December 31, 2017.

Controls over spending in funds that are not subject to legal budgets are maintained by other statutes or by the use of internal spending limits established by management.

## 2. DEPOSITS AND INVESTMENTS

### Deposits

Kansas Statutes Annotated (K.S.A.) 9-1401 establishes the depositories which may be used by governmental entities in Kansas. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county, 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 Federal Depository Insurance Corporation (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 9-1405. The City's allocation of deposits and investments as of December 31, 2017, is as follows:

<u>Investment Institution</u>	<u>Percentage of Investments</u>
RCB Bank	100%

### Custodial credit risk – deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned to the City. State statutes require the City's deposits in

## 2. DEPOSITS AND INVESTMENTS (continued)

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, Kansas.

At year-end, the carrying amount of the City's deposits was \$666,779 with the bank balances of such accounts being \$670,695. Of the bank balances, \$250,000 was covered by federal depository insurance and the remaining balance of \$420,695 was covered by collateral held by the City's custodial bank in joint custody in the name of the City and its banks. The fair value of those pledged securities held by the City's custodial banks was \$698,697 at December 31, 2017.

The City's component units' cash and investments at December 31, 2017 consisted of checking and savings accounts. At year-end, the carrying amount of the City's component units' deposits were \$70,186 and the bank balances were \$73,814, which were entirely covered by federal depository insurance.

### Custodial credit risk – investments

For an investment, this is the risk that, in the event of 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 possession of an outside party. State statutes require investments to be adequately secured.

A reconciliation of cash and investments as reported in the financial statements at December 31, 2017 is as follows:

Cash on hand – City	\$ 708
Carrying amount of deposits – City	666,779
Carrying amount of deposits – component unit	70,186
Cash on hand – component unit	<u>10</u>
Total	<u>\$ 737,683</u>
Amounts per statement of net position:	
Cash including investments	\$ 359,217
Component unit cash	70,196
Restricted cash and investments	<u>308,270</u>
Total	<u>\$ 737,683</u>

## 3. CAPITAL ASSETS

A summary of changes in capital assets of the City for the year ended December 31, 2017 is as follows:

### 3. CAPITAL ASSETS (continued)

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 124,937	\$ —	\$ —	\$ 124,937
Capital assets being depreciated:				
Buildings and improvements	564,409	6,417	1,475	569,351
Infrastructure - streets	1,739,735	106,898	—	1,846,633
Infrastructure – sidewalks	203,017	—	—	203,017
Infrastructure – drainage systems	83,294	—	—	83,294
Machinery and equipment	406,030	835	—	406,865
Total capital assets being depreciated	2,996,485	114,150	1,475	3,109,160
Less accumulated depreciation for:				
Buildings and improvements	346,900	18,293	1,475	363,718
Infrastructure - streets	1,089,445	84,428	—	1,173,873
Infrastructure – sidewalks	89,017	7,445	—	96,462
Infrastructure – drainage systems	32,316	2,920	—	35,236
Machinery and equipment	353,244	12,111	—	365,355
Total accumulated depreciation	1,910,922	125,197	1,475	2,034,644
Total capital assets being depreciated, net	1,085,563	(11,047)	—	1,074,516
Governmental activities capital assets, net	<u>\$1,210,500</u>	<u>\$ (11,047)</u>	<u>\$ —</u>	<u>\$ 1,199,453</u>
<b><u>Business-Type Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 140,984	\$ —	\$ —	\$ 140,984
Construction work in process	995,087	—	995,087	—
Total capital assets not Being depreciated	1,136,071	—	995,087	140,984
Capital assets being depreciated:				
Buildings	127,585	690	—	128,275
Improvements other than buildings	3,883,742	995,087	—	4,878,829

### 3. CAPITAL ASSETS (continued)

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Machinery and equipment	\$ 338,336	\$ 14,450	\$ —	\$ 352,786
Total capital assets being depreciated	4,349,663	1,010,227	—	5,359,890
Less accumulated depreciation for:				
Buildings	53,820	3,090	—	56,910
Improvements other than buildings	1,766,935	90,254	—	1,857,189
Machinery and equipment	272,036	15,414	—	287,450
Total accumulated depreciation	2,092,791	108,758	—	2,201,549
Total capital assets being depreciated, net	2,256,872	901,469	—	3,158,341
Business-type activities capital assets, net	\$3,392,943	\$ 901,469	\$ 995,087	\$ 3,299,325

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	
General government	\$ 7,460
Public safety	546
Highways and streets (including infrastructure)	107,315
Health and sanitation	479
Culture and recreation	9,397
Total depreciation expense – governmental activities	\$ 125,197
Business-type activities:	
Water Utility	\$ 47,930
Sewer Utility	60,828
Total depreciation expense – business-type activities	\$ 108,758

### 4. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2017:

#### 4. LONG-TERM DEBT (continued)

	Outstanding January 1, 2017	Additions	Deletions	Outstanding December 31, 2017	Due Within One Year
<b><u>Governmental activities</u></b>					
General obligation bonds	\$ 95,000	\$ —	\$ 10,000	\$ 85,000	\$ 10,000
Capital lease obligations	44,404	—	5,765	38,639	6,028
Net pension liability	136,662	13,941	19,322	131,281	—
Compensated absences	<u>6,867</u>	<u>9,182</u>	<u>6,213</u>	<u>9,836</u>	<u>3,808</u>
Total long-term liabilities – Governmental activities	<u>\$ 282,933</u>	<u>\$ 23,123</u>	<u>\$ 41,300</u>	<u>\$ 264,756</u>	<u>\$ 19,836</u>
<b><u>Business-type activities</u></b>					
KDHE notes payable	\$1,252,447	\$ —	\$ 114,750	\$ 1,137,697	\$ 117,546
RWD No. 6 contract payable	143,061	—	22,372	120,689	23,528
General obligation bonds	105,000	—	20,000	85,000	20,000
Capital lease obligations	88,821	—	11,530	77,291	12,058
Net pension liability	188,725	17,744	39,383	167,086	—
Compensated absences	<u>12,940</u>	<u>14,725</u>	<u>14,428</u>	<u>13,237</u>	<u>6,313</u>
Total long-term liabilities – Business-Type activities	<u>\$1,790,994</u>	<u>\$ 32,469</u>	<u>\$ 222,463</u>	<u>\$ 1,601,000</u>	<u>\$ 179,445</u>

#### **General obligation bonds**

General obligation bonds payable are serial bonds to be retired through calendar year 2024. At December 31, 2017 the bonds consist of the following:

	Interest rates	Bonds outstanding
General Obligation Bonds, Series A, 2010, issued November 30, 2010	1.25 – 3.75%	\$ 65,000
General Obligation Bonds, Series A, 2011, issued May 2, 2011	3.00 – 4.00%	20,000
General Obligation Bonds, Series 2013, issued October 30, 2013	3.25 – 4.25%	<u>85,000</u>
Total general obligation bonds outstanding		170,000
Less debt service from Water Utility Fund		<u>(85,000)</u>
Total general obligation bond payable from Debt Service Fund		<u>\$ 85,000</u>

The Series 2010 Bonds maturing in the years 2017, and thereafter, may be called for redemption and payment prior to their respective maturities on August 1, 2016 or thereafter, as a whole or in part, at a redemption price equal to the principal amount, plus accrued interest to the date of redemption.

#### 4. LONG-TERM DEBT (continued)

The Series 2011 are term Bonds maturing in the years 2021 may be called for redemption and payment prior to their respective maturities, on August 1, 2016, or thereafter, as a whole or in part, at a redemption price equal to the principal amount, plus accrued interest to the date of redemption.

The Series 2013 Bonds are term bonds maturing in the amounts of \$30,000 and \$65,000 on August 1, 2019 and August 1, 2024, respectively. Each of the bonds maturing August 1, 2019 and August 1, 2024 shall be subject to mandatory redemption beginning August 1, 2015 and continuing through August 1, 2024 pursuant to the redemption schedule set forth in the Bond Resolution. The Bonds maturing in the years 2019 inclusive shall become due and payable on their respective maturity dates without the option of prior call for redemption. At the option of the City, the Bonds maturing August 1, 2024 and thereafter, may be called for redemption and payment prior to their respective maturities, on August 1, 2019 or thereafter, as a whole or in part, as determined by the City at any time, at a redemption price equal to the principal amount, plus accrued interest to the date of redemption, without premium.

Remaining debt service requirements for general obligation bonds will be paid from the debt service fund with future ad valorem taxes. Annual debt service requirements to maturity for general obligation bonds outstanding at December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 10,000	\$ 3,413	\$ 13,413
2019	10,000	3,087	13,087
2020	10,000	2,763	12,763
2021	10,000	2,337	12,337
2022	15,000	1,913	16,913
2023	15,000	1,275	16,275
2024	<u>15,000</u>	<u>637</u>	<u>15,637</u>
	<u>\$ 85,000</u>	<u>\$ 15,425</u>	<u>\$ 100,425</u>

#### General obligation bonds payable from Water Utility Fund

Remaining debt service requirements for general obligation bonds to be paid from the Water Utility Fund are listed as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 20,000	\$ 3,013	\$ 23,013
2019	20,000	2,362	22,362
2020	20,000	1,675	21,675
2021	<u>25,000</u>	<u>950</u>	<u>25,950</u>
	<u>\$ 85,000</u>	<u>\$ 8,000</u>	<u>\$ 93,000</u>

#### 4. LONG-TERM DEBT (continued)

##### Rural Water District No. 6 contract payable

During 1982, the City entered into a contract with the Rural Water District No. 6 to purchase water from the El Dorado reservoir. Under the terms of the contract, the City is to reimburse the Rural Water District the sum of \$499,071 to fund the debt service costs in constructing their water line to the City. The amount is being financed over a period of 40 years at 5% interest. The monthly payments are \$2,424, including principal and interest, in addition to the monthly cost of water purchased from Rural Water District No. 6. The outstanding principal amount of the contract at December 31, 2017 was \$120,689.

The water line maintenance and ownership remains with the Rural Water District and the water line rights of the City have been recorded as an asset on the statement of net position of the City's Water Utility fund and are being amortized over the life of the contract. Annual debt service requirements to maturity under the terms of the contract are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 23,528	\$ 5,560	\$ 29,088
2019	24,745	4,343	29,088
2020	26,024	3,064	29,088
2021	27,370	1,718	29,088
2022	<u>19,022</u>	<u>368</u>	<u>19,390</u>
	<u>\$ 120,689</u>	<u>\$ 15,053</u>	<u>\$ 135,742</u>

##### Kansas Department of Health & Environment (KDHE) notes payable

In January 1999, the City Council approved a loan agreement in the principal amount of \$721,500 with the Kansas Department of Health and Environment to provide financing for the acquisition, construction, improvement, repair and extension of the City's wastewater treatment system. The agreement provides for semi-annual payments, including interest at a rate of 3.18%, in the amount of \$24,516 beginning September 1, 1999 with final payment due March 1, 2019. Annual debt service requirements to maturity under the terms of the contract are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 47,137	\$ 1,895	\$ 49,032
2019	<u>24,132</u>	<u>385</u>	<u>24,517</u>
	<u>\$ 71,269</u>	<u>\$ 2,280</u>	<u>\$ 73,549</u>

In April 2004, the City Council approved another loan agreement in the maximum principal amount of \$1,500,000 with the Kansas Department of Health and Environment to provide financing for the acquisition, construction, improvement, repair and extension of the City's wastewater treatment system. The agreement provides for semi-annual

#### 4. LONG-TERM DEBT (continued)

payments, including interest at a rate of 2.46%, in the amount of \$48,824 beginning September 1, 2005 with final payment due March 1, 2025, assuming the maximum loan commitment amount is utilized by the City. The City did not utilize the full amount of the approved loan and the payment schedule was revised beginning September 1, 2008 providing for semiannual payments in the amount of \$39,850, including interest. Annual debt service requirements to maturity under the revised terms of the contract for the outstanding loan balance at December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 65,572	\$ 14,128	\$ 79,700
2019	67,361	12,339	79,700
2020	69,199	10,501	79,700
2021	71,087	8,613	79,700
2022	73,026	6,674	79,700
2023	75,019	4,681	79,700
2024	77,065	2,635	79,700
2025	<u>39,317</u>	<u>533</u>	<u>39,850</u>
	<u>\$ 537,646</u>	<u>\$ 60,104</u>	<u>\$ 597,750</u>

In April 2006, the City Council approved a loan agreement in the maximum principal amount of \$65,843 with the Kansas Department of Health and Environment to provide financing for the construction of a well house and purchase of water pipe and associated appurtenances for the City's water system. The agreement provides for semi-annual payments, including interest at a rate of 3.53%, in the amount of \$2,309 beginning August 1, 2007 with final payment due February 1, 2027. Annual debt service requirements to maturity under the terms of the contract for the outstanding loan balance at December 31, 2017 is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,341	\$ 1,277	\$ 4,618
2019	3,460	1,158	4,618
2020	3,583	1,035	4,618
2021	3,711	907	4,618
2022	3,843	775	4,618
2023	3,980	638	4,618
2024	4,122	496	4,618
2025	4,268	350	4,618
2026	4,420	198	4,618
2027	<u>2,266</u>	<u>44</u>	<u>2,310</u>
	<u>\$ 36,994</u>	<u>\$ 6,878</u>	<u>\$ 43,872</u>

#### 4. LONG-TERM DEBT (continued)

In February 2015, the City Council approved a loan agreement in the maximum principal amount of \$500,000, amended in December 2015 to \$550,592 and in October 2017 to \$493,808, with the Kansas Department of Health and Environment to provide financing for sanitary sewer line reconstruction to replace existing failing sewer pipe and manholes that can no longer be reconditioned. The agreement provides for semi-annual payments, including interest at a rate of 2.20%, in the approximate amount of \$6,156 from March 2017 through March 2019 and beginning September 1, 2019 the amount increases to \$16,927 with final payment due September 1, 2036. Annual debt service requirements to maturity under the terms of the contract for the outstanding loan balance at December 31, 2017 is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,496	\$ 10,812	\$ 12,308
2019	12,301	10,778	23,079
2020	23,467	10,387	33,854
2021	23,987	9,867	33,854
2022	24,517	9,337	33,854
2023	25,059	8,795	33,854
2024	25,614	8,240	33,854
2025	26,180	7,674	33,854
2026	26,759	7,095	33,854
2027	27,351	6,503	33,854
2028	27,956	5,898	33,854
2029	28,575	5,279	33,854
2030	29,207	4,647	33,854
2031	29,853	4,001	33,854
2032	30,513	3,341	33,854
2033	31,188	2,666	33,854
3034	31,878	1,976	33,854
3035	32,583	1,271	33,854
2036	<u>33,304</u>	<u>550</u>	<u>33,854</u>
	<u>\$ 491,788</u>	<u>\$ 119,117</u>	<u>\$ 610,905</u>

#### Capital lease obligation payable

During 2015, the City Council entered into a lease agreement with its financial institution for the purchase of a new pickup for the maintenance department. The lease agreement provides for annual payments of \$8,319, including principal and interest, beginning July 1, 2016 through July 1, 2020. The lease qualifies as a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the minimum payments at the date of the lease inception.

In 2016, the City Council entered into a lease agreement with its financial institution for the purchase of a new loader/backhoe. The lease agreement provides for annual payments of \$13,000, including principal and interest, beginning March 1, 2017 through March 1, 2020.

#### 4. LONG-TERM DEBT (continued)

The agreement provides for a balloon payment of \$61,767 on March 1, 2021. The new lease agreement provided for the retirement of the then outstanding lease obligation of \$43,478 on the equipment included on the trade for the new backhoe/loader. The lease qualifies as a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the minimum lease payments at the date of the lease inception.

In 2016, the City Council entered into a lease agreement with its financial institution for the purchase of a new loader/backhoe. The lease agreement provides for annual payments of \$13,000, including principal and interest, beginning March 1, 2017 through March 1, 2020. The agreement provides for a balloon payment of \$61,767 on March 1, 2021. The new lease agreement provided for the retirement of the then outstanding lease obligation of \$43,478 on the equipment included on the trade for the new backhoe/loader. The lease qualifies as a capital lease for accounting purposes and, accordingly, has been recorded at the present value of the minimum lease payments at the date of the lease inception.

It is the City's intent to fund the debt service payments from the General, Water Utility and Sewer Utility funds. The annual requirements to amortize the capital lease obligation outstanding at December 31, 2017, including interest payments, is as follows:

<u>Year Ending December 31,</u>	<u>General Fund</u>	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
2018	\$ 7,106	\$ 7,106	\$ 7,108	\$ 21,320
2019	7,106	7,106	7,108	21,320
2020	7,106	7,106	7,108	21,320
2021	<u>20,587</u>	<u>20,587</u>	<u>20,593</u>	<u>61,767</u>
Total minimum lease payments	41,905	41,905	41,917	125,727
Less amounts representing interest	<u>(3,266)</u>	<u>(3,266)</u>	<u>(3,265)</u>	<u>(9,797)</u>
Present value of net minimum lease payments	<u>\$ 38,639</u>	<u>\$ 38,639</u>	<u>\$ 38,652</u>	<u>\$115,930</u>

The cost of the equipment and accumulated depreciation at December 31, 2017 was \$96,981 and \$38,559, respectively.

#### Compensated absences

The governmental funds portion of outstanding compensated absence liabilities is principally liquidated from resources of the General Fund.

#### Net pension liability

The governmental funds portion of the net pension liability is principally liquidated from the Employee Benefits Fund.

## 5. WATER AND SEWER REPLACEMENT RESERVES

Applicable state statutes permit the governing body to legally restrict a portion of operating revenue to be used for future replacement of the water and sewer systems. Net position have been reserved for the portion of assets legally restricted for future water and sewer system replacements.

## 6. BUDGETARY DATA

As described in Note 1, the actual data presented in the budgetary comparison statements differ from data presented in accordance with generally accepted accounting principles (GAAP) for the governmental fund types. The following reconciliation's are presented to provide a correlation between the different bases of reporting:

	<u>General Fund</u>	<u>Library Fund</u>	<u>Other Nonmajor Governmental Funds</u>
GAAP Fund Balances at December 31, 2017	\$ 209,614	\$ 6,609	\$ 152,945
Adjustments:			
Accrued sales tax revenues	(17,100)	—	—
Accrued franchise fee revenues	(5,617)	—	—
Unreserved fund balances not subject to the Kansas budget law	<u>—</u>	<u>—</u>	<u>(108,551)</u>
Budgetary Fund Balances at December 31, 2017	<u>\$ 186,897</u>	<u>\$ 6,609</u>	<u>\$ 44,394</u>

## 7. PENSION PLAN

### Plan description

The City participates in the Kansas Public Employees Retirement System, a cost sharing multiple employer defined benefit pension plan. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74-4901 *et. seq.*:

- Public employees, which includes:
  - State/School employees
  - Local employees
- Police and Firemen
- Judges

## **7. PENSION PLAN (continued)**

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the City are included in the local employees group.

KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803, by calling 1-888-275-5737 or via KPERS website at [www.kpers.org](http://www.kpers.org).

### **Benefits provided**

Benefits are established by statute and may only be changed by the Legislature. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Members (except Police and Firemen) with ten or more years of credited service may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points" (Police and Firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

Monthly retirement benefits are based on statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

## 7. PENSION PLAN (continued)

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

### Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation for each of the three state wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers, which includes the state and school employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll.

The actuarially determined employer contribution rates and the statutory contribution rates are as follows:

	<u>Actuarial Employer Rate</u>	<u>Statutory Employer Capped Rate</u>
State employees	10.77%	10.81%
School employees	16.03	10.81
State/School employees (combined rate) (1)	14.89	10.81
Local government employees	8.46	8.46
Police and Firemen	19.03	19.03
Judges	21.36	21.36

(1) The State/School subgroups are combined into one group for purposes of determining a contribution rate.

Rates shown for KPERS State, School and Judges represent the rates for the fiscal year ending June 30. KPERS Local and KP&F rates are reported for the calendar year.

Member contribution rates as a percentage of eligible compensation in fiscal year 2017 are 6.00% for Public Employees, 7.15% for Police and Firemen, and 6.00% or 2.00% for Judges.

The 2015 Legislature passed and the Governor approved Senate Bill 228, which authorized the issuance of \$1 billion in pension obligation bonds to improve the funding of the state/school group. The bonds were issued in August 2015 and deposited in the trust fund

## **7. PENSION PLAN (continued)**

on August 20, 2015. This legislation reset the state/school statutory rate to 10.91%. In fiscal year 2015 for the state/school employer group, the Governor declared an allotment affecting the employer rate for the last two quarters of the fiscal year. The employer rate was reduced from 11.27% to 8.65%.

### **Employer and Nonemployer Allocations**

Although KPERS administers one cost sharing multiple employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentages for each group as of June 30, 2017, are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the fiscal year ended June 30, 2017. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2017, the City's proportion was 0.020599%, which was an increase of 0.000434% from its proportion measured at June 30, 2016.

### **Receivables**

In addition to statutorily determined contractually required contributions, certain agencies also make payments through an additional component of their required employer contribution rate or annual installment payments. Both options include interest at 8% per year, for the cost of service credits granted retroactively when the agencies initially joined the retirement system. As of June 30, 2017, the outstanding balance was \$5,606,138. These payments are due over various time periods up through December 31, 2032.

The 2016 Legislature passed and the Governor approved Senate Bill 161, authorizing the delay of up to \$100 million in KPERS State/School contributions. The 2017 Legislature and the Governor approved Substitute For Substitute For HB 2052 which eliminated the funding for repaying the delayed 2016 contributions. The amount set up as a long-term receivable in Fiscal Year 2016 has been written off.

In addition, this bill authorized the delay of \$64.1 million in Fiscal Year 2017 contributions for unified school districts. This amount has been set up as a long-term receivable. Repayment is scheduled in a series of twenty annual payments of \$6.4 million. Senate Substitute For HB 2002 authorized the first two annual payments for Fiscal Years 2018 and 2019. The first payment of \$6.4 million was received by the Pension Plan in July 2017.

## 7. PENSION PLAN (continued)

### **Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions**

At December 31, 2017, the City reported a liability of \$298,367 for its proportionate share of the net pension liability. 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 that date.

For the year ended December 31, 2017, the City recognized pension expense of \$31,685. At December 31, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to the measurement date	\$ 16,212	\$ —
Differences between expected and actual experience	1,443	10,317
Net difference between projected and actual earnings on pension plan investments	9,359	—
Changes in assumptions	16,068	2,182
Changes in proportion	<u>12,328</u>	<u>13,684</u>
Total	<u>\$ 55,410</u>	<u>\$ 26,183</u>

The City reported \$16,212 as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 212
2019	11,193
2020	4,770
2021	(3,601)
2022	441
Thereafter	—

### **Actuarial assumptions**

The total pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

## 7. PENSION PLAN (continued)

Actuarial Cost Method	Entry age normal
Inflation	2.75 percent
Salary Increases	3.50 to 12.00 percent, including price inflation
Investment Rate of Return	7.75 percent compounded annually, net of investment expense, including price inflation

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013 through December 31, 2015. The experience study is dated November 18, 2016.

The actuarial assumptions changes adopted by the Pension Plan for all groups based on the experience study:

- Price inflation assumption lowered from 3.00 percent to 2.75 percent
- Investment return assumption was lowered from 8.00 percent to 7.75 percent
- General wage growth assumption was lowered from 4.00 percent to 3.00 percent
- Payroll growth assumption was lowered from 4.00 percent to 3.00 percent

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	47.00%	6.80%
Fixed Income	13.00	1.25
Yield Driven	8.00	6.55
Real Return	11.00	1.71
Real Estate	11.00	5.05
Alternatives	8.00	9.85
Short-Term Investments	<u>2.00</u>	(0.25)
Total	<u>100.00%</u>	

## **7. PENSION PLAN (continued)**

### **Discount rate**

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined below:

In KPERS, the State/School and Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2017 was 1.2 percent.

In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the caps established in 2012 for the State/School group. Under 2015 SB 4, the previously certified State/School statutory rate for Fiscal Year 2015 of 11.27 percent was reduced to 8.65 percent for the last half of the fiscal year as part of the Governor's allotment. That same session, SB 228 recertified statutory rates for the State/School group to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of \$1 billion in pension obligation bonds. Legislation in the 2016 session (SB 161) provided for the delay of up to \$100 million in State and School contributions to the Pension Plan. Legislation passed by the 2017 Legislature removed the repayment provisions included in SB 161.

In addition, 2017 S Sub. For Substitute HB 2052 delayed \$64.1 million in Fiscal Year State/School contributions to be repaid over 20 years in level dollar installments. The first year payment of \$6.4 million was received in July 2017 and appropriations for Fiscal Year 2018 are intended to fully fund the State/School group statutory contribution rate of 12.01 percent for that year. Additional legislation in the 2017 Session (S Sub for HB 2002) provided for a reduction of \$194 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20-year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as long-term receivables by the Pension Plan.

Based on employer contribution history as described above, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate. It has been assumed that contribution rates will be made within the same range as have been seen in the past few years. Using this assumption actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

### **Sensitivity of the net pension liability to changes in the discount rate**

The following tables present the net pension liability of the Pension Plan as of June 30, 2017, calculated using the discount rate of 7.75%, as well as what the Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

## 7. PENSION PLAN (continued)

	June 30, 2017		
	1.00% Decrease (6.75%)	Current Discount Rate (7.75%)	1.00% Increase (8.75%)
Net Pension Liability	\$ 429,714	\$ 298,367	\$ 187,647

### Special funding situation

The employer contributions for non-public school district schools, as defined in K.S.A. 74-49314 (2) and (3), are funded by the State of Kansas on behalf of these employers. Therefore, these employers, area vocational technical schools and community junior colleges, are considered to be in a special funding situation as defined by *Governmental Accounting Standards Board Statement No. 68*. The State is treated as a nonemployer contributing entity in the System. Since these employers do not contribute directly to the System for active employees, there is not net pension liability or deferred inflows or outflows to report in their financial statements for active employees. The notes to their financial statements for these entities must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the non-public school district employer. In addition, each non-public school district employer must recognize the pension expense associated with their employer as well as revenue in an amount equal to the nonemployer contributing entities' total proportionate share of the collective net pension expense associated with their employer.

A number of these employers make contributions directly to KPERS for KPERS retirees filling KPERS covered position per K.S.A. 74-4937, "working after retirement" employees. The resulting proportional share of these agencies "working after retirement" contributions and resulting net pension liability are attributable to the employer.

### Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

## 8. INTERFUND TRANSFERS

A summary of interfund transfers by individual fund is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General	\$ 20,000	\$ 97,493
Sewer Utility	47,596	—

## 8. INTERFUND TRANSFERS (continued)

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Solid Waste Utility	\$ —	\$ 20,000
Total transfers for major funds	<u>67,596</u>	<u>117,493</u>
Nonmajor Funds:		
Capital Improvement Reserve Administration	7,200	—
Capital Improvement Reserve Streets	35,697	—
Capital Improvement Reserve Pool	<u>7,000</u>	<u>—</u>
Total transfers for nonmajor funds	<u>49,897</u>	<u>—</u>
Total transfers	<u>\$117,493</u>	<u>\$117,493</u>

Routine transfers from the General Fund to the Capital Improvement Reserve Streets Fund and the Sewer Utility Fund in the amounts of \$35,697 and \$47,596, respectively, represent 30% and 40% of the local 1% sales tax collections for the year, respectively, and such transfers are established by Ordinance.

The non-routine transfer from the Solid Waste Fund to the General Fund in the amount of \$20,000 was made to provide for general administration expenses attributable to solid waste operations. In addition, the General Fund transferred \$7,200 and \$7,000 to the Capital Improvements Reserve Administration and Capital Improvements Reserve Pool Funds respectively, to provide for future general administrative and swimming pool improvements.

## 9. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the City is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements and it is management's opinion that any such amounts are not significant to the City's financial statements. The City provides no other postemployment benefits, other than retirement plans, to former employees of the City.

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

## 10. TAX ABATEMENTS

In the current year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. The objective of GASB Statement No. 77 is to improve financial reporting by giving financial statement users essential information regarding the nature and magnitude of tax abatements. The City operates an economic development program that qualifies as tax abatements under GASB No. 77. That program is summarized as follows:

### **Neighborhood Revitalization Program Property Tax Abatements**

The City approves property tax abatements in accordance with K.S.A. 12-17,114 et. seq. The City has a Neighborhood Revitalization Plan (NRP) incentive program which was effective January 1, 2013 and expired December 31, 2015. The NRP program requires that the construction or improvements for residential properties be at least 10% (or \$5,000, whichever is higher) of the assessed valuation as determined by the Butler County Appraiser for residential, and 15% (or \$10,000 whichever is higher) for commercial/industrial property. New as well as existing improvements on property must conform to all code rules and regulations in effect at the time improvements are made. Applicants are not allowed to “phase-in” improvements. Property that is delinquent in payment to Butler County of any real estate and/or special assessment taxes at the time of application will forfeit admission into the program. Any property that is delinquent in payment to Butler County of real estate and/or special assessment taxes will forfeit any current and future rebates however, the City of Douglass, at their sole discretion, may reinstate any NRP property one time after being delinquent on taxes or assessments during the life of the property’s participation in the NRP program. No property shall be granted such consideration for reinstatement if it was disqualified prior to January 1, 2013, or has previously been granted this allowance. Properties within the designated area within the City of Douglass are eligible. If the property that has been approved for a tax rebate is sold, the rebate remains in effect and will transfer to the new property owner. Upon timely payment in full of all real estate tax and special assessments for the property, a rebate of the taxes related to the valuation improvement (less a 5% administrative fee retained by Butler County, Kansas) will be made to the property owner. Butler County issues the rebate checks directly to the individual taxpayers. The rebate period is 10 years for rehabilitations, alterations, additions and new construction on a vacant lot. The rebate amount is 95% of the tax corresponding to the increase in appraised value resulting from the specific improvements identified on the application on rehabilitations, alterations, or additions to residential or commercial properties and new residential and commercial projects. All taxing subdivisions overlapping the City of Douglass participate in this NRP program except for the Butler County Fire District No. 8.

The City has committed to continuing its NRP program and has submitted its program to be effective January 1, 2016 to the Kansas Attorney General’s Office, for which approval is currently pending.

The City’s portion of property taxes rebated under the NRP program during 2017 totaled \$16,899.

## **11. COMMITMENTS AND CONTINGENCIES**

### **Grant programs**

The City has participated in federal grant programs to provide financial assistance for the replacement of sewer lines and sewer system improvements throughout the City. The federal assisted grant programs are subject to financial and compliance audits by the grantor agencies or their designee. Accordingly, the City's compliance with applicable grant requirements and any disallowed costs resulting from such audits, if any, could become a liability of the City. It is management's opinion that any such disallowed costs will not have a material affect on the financial statements of the City at December 31, 2017.

## **12. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 21, 2018, the date on which the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF DOUGLASS, KANSAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**KPERS PENSION PLAN**

**Schedule of City's Proportionate Share of the Net Pension Liability**  
**Last Four Years \***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportionate percentage of the net pension liability	.025990%	.021033%	.020396%	.021630%
City's proportionate share of the net pension liability	\$ 298,367	\$ 325,387	\$ 267,808	\$ 266,225
City's covered employee payroll	\$ 380,863	\$ 366,492	\$ 329,008	\$ 336,923
City's proportionate share of the net pension liability as a percentage of its covered employee payroll	78.34%	88.78%	81.40%	79.02%
Plan fiduciary net position as a percentage of the total pension liability	72.15%	68.55%	71.98%	72.56%

**Schedule of City's Contributions**  
**Last Four Years \***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 31,685	\$ 33,352	\$ 32,682	\$ 30,107
Contributions in relation to the contractually required contribution	<u>(31,685)</u>	<u>(33,352)</u>	<u>(32,682)</u>	<u>(30,107)</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
City's covered employee payroll	\$ 374,521	\$ 363,312	\$ 344,747	\$ 340,577
Contributions as a percentage of covered employee payroll	8.46%	9.18%	9.48%	8.84%

\* -- Data became available with the inception of GASB Statement No. 68 during fiscal year 2015, therefore 10 years of data is unavailable.

**COMBINING FINANCIAL STATEMENTS  
AND  
INDIVIDUAL FUND SCHEDULES**

## **GOVERNMENTAL FUNDS**

### **NONMAJOR SPECIAL REVENUE FUNDS**

The primary purpose of the Special Revenue Funds is to account for the proceeds of designated revenue sources, which are used to finance specified activities as required by law or administrative regulation. The following nonmajor Special Revenue Funds are reported:

**Special Street and Highway Fund** – to account for the state shared tax for the construction, reconstruction or maintenance of streets.

**Employee Benefits Fund** – to account for the funding of unemployment compensation, workers' compensation, social security, Medicare, health insurance, dental insurance, short-term disability insurance, the City's Health Reimbursement Account Plan and pension contributions.

### **NONMAJOR DEBT SERVICE FUND**

**Debt Service Fund** – to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

### **NONMAJOR CAPITAL PROJECT FUNDS**

**Capital Improvement Reserve Administration Fund** – to account for the funding mechanism to secure the orderly maintenance and improvement for general public improvements of the City.

**Capital Improvement Reserve Streets Fund** – to account for the funding mechanism to secure the orderly improvement and replacement of City streets.

**Capital Improvement Reserve Pool Fund** – to account for the funding mechanism to secure the orderly maintenance and improvement of the City's swimming pool.

**CITY OF DOUGLASS, KANSAS**

**COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS**

**December 31, 2017**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Project Funds</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Cash including short-term investments	\$ 47,240	\$ 80	\$108,551	\$ 155,871
Property taxes receivable	<u>14,450</u>	<u>18,521</u>	<u>—</u>	<u>32,971</u>
Total	<u>\$ 61,690</u>	<u>\$ 18,601</u>	<u>\$108,551</u>	<u>\$ 188,842</u>
<b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>				
Liabilities:				
Salaries and wages payable	\$ 1,974	\$ —	\$ —	\$ 1,974
Accounts payable	<u>952</u>	<u>—</u>	<u>—</u>	<u>952</u>
Total liabilities	<u>2,926</u>	<u>—</u>	<u>—</u>	<u>2,926</u>
Deferred inflows of resources:				
Property taxes receivable	<u>14,450</u>	<u>18,521</u>	<u>—</u>	<u>32,971</u>
Fund Balances:				
Restricted for:				
General government	38,591	—	—	38,591
Street improvements	5,723	—	—	5,723
Capital equipment and improvements	—	—	108,551	108,551
Debt service	<u>—</u>	<u>80</u>	<u>—</u>	<u>80</u>
Total fund balances	<u>44,314</u>	<u>80</u>	<u>108,551</u>	<u>152,945</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 61,690</u>	<u>\$ 18,601</u>	<u>\$108,551</u>	<u>\$ 188,842</u>

**CITY OF DOUGLASS, KANSAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS**

**December 31, 2017**

	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Project Funds</u>	<u>Total</u>
Revenues:				
Taxes	\$ 33,455	\$ 2,935	\$ —	\$ 36,390
Special assessment taxes	—	4,400	—	4,400
Intergovernmental	<u>52,154</u>	<u>—</u>	<u>—</u>	<u>52,154</u>
Total revenues	<u>85,609</u>	<u>7,335</u>	<u>—</u>	<u>92,944</u>
Expenditures:				
General government	20,494	—	—	20,494
Highways and streets	57,819	—	15,000	72,819
Culture and recreation	5,465	—	4,560	10,025
Debt service:				
Principal	—	10,000	—	10,000
Interest	<u>395</u>	<u>3,737</u>	<u>—</u>	<u>4,132</u>
Total expenditures	<u>84,173</u>	<u>13,737</u>	<u>19,560</u>	<u>117,470</u>
Expenditures over revenues	1,436	(6,402)	(19,560)	(24,526)
Other financing sources:				
Transfers in	<u>—</u>	<u>—</u>	<u>49,897</u>	<u>49,897</u>
Net change in fund balances	1,436	(6,402)	30,337	25,371
Fund balances, beginning of year	<u>42,878</u>	<u>6,482</u>	<u>78,214</u>	<u>127,574</u>
Fund balances, end of year	<u>\$ 44,314</u>	<u>\$ 80</u>	<u>\$108,551</u>	<u>\$ 152,945</u>

**CITY OF DOUGLASS, KANSAS**

**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS –  
SPECIAL REVENUE FUNDS**

**December 31, 2017**

	<u>Special Street And Highway</u>	<u>Employee Benefits</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 7,697	\$ 39,543	\$ 47,240
Taxes receivable	<u>—</u>	<u>14,450</u>	<u>14,450</u>
Total assets	<u>\$ 7,697</u>	<u>\$ 53,993</u>	<u>\$ 61,690</u>
<b><u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>			
Liabilities:			
Salaries and wages payable	\$ 1,974	\$ —	\$ 1,974
Accounts payable	<u>—</u>	<u>952</u>	<u>952</u>
Total liabilities	<u>1,974</u>	<u>952</u>	<u>2,926</u>
Deferred inflows of resources:			
Property taxes receivable	<u>—</u>	<u>14,450</u>	<u>14,450</u>
Fund balances:			
Restricted for:			
General government	—	38,591	38,591
Street improvements	<u>5,723</u>	<u>—</u>	<u>5,723</u>
Total fund balances	<u>5,723</u>	<u>38,591</u>	<u>44,314</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,697</u>	<u>\$ 53,993</u>	<u>\$ 61,690</u>

**CITY OF DOUGLASS, KANSAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS – SPECIAL  
REVENUE FUNDS**

**Year ended December 31, 2017**

	<u>Special Street and Highway</u>	<u>Employee Benefits</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues:			
Taxes	\$ —	\$ 33,455	\$ 33,455
Intergovernmental	<u>52,154</u>	<u>—</u>	<u>52,154</u>
Total revenues	<u>52,154</u>	<u>33,455</u>	<u>85,609</u>
Expenditures:			
General government	—	20,494	20,494
Highways and streets	47,467	10,352	57,819
Culture and recreation	—	5,465	5,465
Debt service	<u>395</u>	<u>—</u>	<u>395</u>
Total expenditures	<u>47,862</u>	<u>36,311</u>	<u>84,173</u>
Revenues over (under) expenditures	4,292	(2,856)	1,436
Fund balances, beginning of year	<u>1,431</u>	<u>41,447</u>	<u>42,878</u>
Fund balances, end of year	<u>\$ 5,723</u>	<u>\$ 38,591</u>	<u>\$ 44,314</u>

**CITY OF DOUGLASS, KANSAS**

**SPECIAL STREET AND HIGHWAY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 50,670	\$ 50,670	\$ 52,154	\$ 1,484
Expenditures:				
Personal services	50,000	50,000	47,467	2,533
Contractual services	1,304	1,304	—	1,304
Debt service	<u>—</u>	<u>—</u>	<u>395</u>	<u>(395)</u>
Total expenditures	<u>51,304</u>	<u>51,304</u>	<u>47,862</u>	<u>3,442</u>
Revenues over (under)				
expenditures	(634)	(634)	4,292	4,926
Fund balance,				
beginning of year	<u>634</u>	<u>634</u>	<u>1,431</u>	<u>797</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,723</u>	<u>\$ 5,723</u>

**CITY OF DOUGLASS, KANSAS**

**EMPLOYEE BENEFITS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND  
ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	<u>\$ 33,427</u>	<u>\$ 33,427</u>	<u>\$ 33,455</u>	<u>\$ 28</u>
Expenditures:				
FICA and Medicare	15,000	15,000	13,625	1,375
KPERS	15,000	15,000	13,289	1,711
Unemployment insurance	4,000	4,000	290	3,710
Health insurance	2,500	2,500	—	2,500
Dental insurance	—	—	792	(792)
Vision insurance	—	—	323	(323)
Disability insurance	4,320	4,320	5,525	(1,205)
Insurance – tort liability	500	500	—	500
Health Reimbursement Account Plan	8,000	8,000	2,467	5,533
Workers compensation insurance	<u>4,000</u>	<u>4,000</u>	<u>—</u>	<u>4,000</u>
Total expenditures	<u>53,320</u>	<u>53,320</u>	<u>36,311</u>	<u>17,009</u>
Revenues over (under)				
Expenditures	(19,893)	(19,893)	(2,856)	17,037
Fund balance, beginning of year	<u>19,893</u>	<u>19,893</u>	<u>41,447</u>	<u>21,554</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 38,591</u>	<u>\$ 38,591</u>

**CITY OF DOUGLASS, KANSAS**

**DEBT SERVICE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND  
ACTUAL - BUDGETARY BASIS**

**Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 2,948	\$ 2,948	\$ 2,935	\$ (13)
Special assessment taxes	<u>—</u>	<u>—</u>	<u>4,400</u>	<u>4,400</u>
Total revenues	<u>2,948</u>	<u>2,948</u>	<u>7,335</u>	<u>4,387</u>
Expenditures:				
Bond principal	10,000	10,000	10,000	—
Bond interest and commission	3,850	3,850	3,737	113
Cash basis reserve	<u>7,000</u>	<u>7,000</u>	<u>—</u>	<u>7,000</u>
Total expenditures	<u>20,850</u>	<u>20,850</u>	<u>13,737</u>	<u>7,113</u>
Revenues over (under) expenditures	(17,902)	(17,902)	(6,402)	11,500
Fund balance, beginning of year	<u>17,902</u>	<u>17,902</u>	<u>6,482</u>	<u>(11,420)</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 80</u>	<u>\$ 80</u>

**CITY OF DOUGLASS, KANSAS**

**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECT FUNDS**

**December 31, 2017**

	Capital Improvement Reserve <u>Administration</u>	Capital Improvement Reserve <u>Streets</u>	Capital Improvement Reserve <u>Pool</u>	Total Nonmajor Capital Project <u>Funds</u>
<b><u>ASSETS</u></b>				
Cash and investments	<u>\$ 7,200</u>	<u>\$ 75,926</u>	<u>\$ 25,425</u>	<u>\$ 108,551</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ —	\$ —	\$ —	\$ —
Fund balances:				
Restricted for:				
Capital improvements	<u>7,200</u>	<u>75,926</u>	<u>25,425</u>	<u>108,551</u>
Total liabilities and fund balances	<u>\$ 7,200</u>	<u>\$ 75,926</u>	<u>\$ 25,425</u>	<u>\$ 108,551</u>

**CITY OF DOUGLASS, KANSAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECT FUNDS**

**Year ended December 31, 2017**

	<u>Capital Improvement Reserve Administration</u>	<u>Capital Improvement Reserve Streets</u>	<u>Capital Improvement Reserve Pool</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues:				
Use of money and property	\$ —	\$ —	\$ —	\$ —
Expenditures:				
Highways and streets	—	15,000	—	15,000
Recreation	—	—	4,560	4,560
Total expenditures	—	15,000	4,560	19,560
Expenditures over revenues	—	(15,000)	(4,560)	(19,560)
Other financing sources:				
Transfers in	7,200	35,697	7,000	49,897
Net change in fund balances	7,200	20,697	2,440	30,337
Fund balances, beginning of year	—	55,229	22,985	78,214
Fund balances, end of year	\$ 7,200	\$ 75,926	\$ 25,425	\$ 108,551

## **ENTERPRISE FUNDS**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The fund measurement focus is upon determination of net income, financial position and change in financial position. The following major Enterprise Funds are reported:

**Water Utility** – to account for the operation of municipal water utility including water supply, treatment and distribution.

**Sewer Utility Fund** – to account for the operation of sewer utility including the collection and treatment of wastewater.

**Solid Waste Fund** – to account for the operation of refuse utility including the collection and disposal of solid waste.

**CITY OF DOUGLASS, KANSAS**

**WATER UTILITY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 481,875	\$ 481,875	\$ 411,282	\$ (70,593)
Miscellaneous	<u>450</u>	<u>450</u>	<u>2,672</u>	<u>2,222</u>
	<u>482,325</u>	<u>482,325</u>	<u>413,954</u>	<u>(68,371)</u>
Expenditures:				
Personal services	192,000	192,000	173,792	18,208
Contractual services	54,500	54,500	44,911	9,589
Commodities	188,000	188,000	138,200	49,800
Capital Outlay	10,000	10,000	861	9,139
Debt service	64,385	64,385	64,435	(50)
Transfers out	<u>21,563</u>	<u>21,563</u>	<u>—</u>	<u>21,563</u>
Total expenditures	<u>530,448</u>	<u>530,448</u>	<u>422,199</u>	<u>108,249</u>
Revenues over (under) expenditures	(48,123)	(48,123)	(8,245)	39,878
Fund balance, beginning of year	<u>48,123</u>	<u>48,123</u>	<u>34,231</u>	<u>(13,892)</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 25,986</u>	<u>\$ 25,986</u>

**CITY OF DOUGLASS, KANSAS**

**SEWER UTILITY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 349,225	\$ 349,225	\$ 296,258	\$ (52,967)
Miscellaneous	500	500	195	(305)
Transfers in	<u>46,126</u>	<u>46,126</u>	<u>47,596</u>	<u>1,470</u>
Total revenues	<u>395,851</u>	<u>395,851</u>	<u>344,049</u>	<u>(51,802)</u>
Expenditures:				
Personal services	152,000	152,000	143,089	8,911
Contractual services	38,000	38,000	29,029	8,971
Commodities	29,000	29,000	12,256	16,744
Capital outlay	18,000	18,000	10,200	7,800
Debt service	148,102	148,102	148,150	(48)
Transfers out	<u>62,042</u>	<u>62,042</u>	<u>12,934</u>	<u>49,108</u>
Total expenditures	<u>447,144</u>	<u>447,144</u>	<u>355,658</u>	<u>91,486</u>
Revenues over (under) expenditures	(51,293)	(51,293)	(11,609)	39,684
Fund balance, beginning of year	<u>51,293</u>	<u>51,293</u>	<u>36,745</u>	<u>(14,548)</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 25,136</u>	<u>\$ 25,136</u>

**CITY OF DOUGLASS, KANSAS**

**SOLID WASTE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

**Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 199,100	\$ 199,100	\$ 165,029	\$ (34,071)
Expenditures:				
Contractual services	179,229	179,229	149,153	30,076
Commodities	6,900	6,900	1,466	5,434
Capital Outlay	5,000	5,000	—	5,000
Transfers out	<u>25,000</u>	<u>25,000</u>	<u>20,000</u>	<u>5,000</u>
Total expenditures	<u>216,129</u>	<u>216,129</u>	<u>170,619</u>	<u>45,510</u>
Revenues over (under) expenditures	(17,029)	(17,029)	(5,590)	11,439
Fund balance, beginning of year	<u>17,029</u>	<u>17,029</u>	<u>21,946</u>	<u>4,917</u>
Fund balance, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 16,356</u>	<u>\$ 16,356</u>

## **COMPONENT UNIT**

The Douglass Public Library is reported as a discretely presented component unit with the financial statements of the City of Douglass (the reporting entity) to emphasize its separate legal status. The Douglass Public Library Board is appointed by the City Council and operates the public library of the City. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs, fines and donations from the public. The following funds are used to account for the operations of the Douglass Public Library:

**General Fund** – all operating activities of the Library Board are accounted for within this fund.

**CITY OF DOUGLASS, KANSAS**  
**GENERAL FUND BALANCE SHEET – DOUGLASS PUBLIC LIBRARY**  
**December 31, 2017**

**ASSETS**

Cash and investments	\$ 70,196
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**LIABILITIES AND FUND BALANCE**

Liabilities:	
Accounts payable	\$ –
Fund balance:	
Unassigned	<u>70,196</u>
Total liabilities and fund balance	<u>\$ 70,196</u>

Reconciliation to Statement of Net Position:	
Fund balance per above	\$ 70,196
Add capital assets	158,117
Add deferred outflows of resources related to pensions	4,654
Less accumulated depreciation on capital assets	(62,594)
Less deferred inflows of resources related to pensions	(1,921)
Less net pension liability	<u>(22,625)</u>
Net position	<u>\$ 145,827</u>

**CITY OF DOUGLASS, KANSAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – GENERAL FUND –  
DOUGLASS PUBLIC LIBRARY**

**Year ended December 31, 2017**

**Revenues:**

Appropriation from City of Douglass	\$ 82,781
Appropriation from Douglass Township	8,886
Appropriation from Rock Creek Township	3,300
South Central Kansas Library System grants	9,495
State aid	750
Other grants	4,100
Contributions from Friends of the Library	10,927
Interest earnings	159
Fines and fees	1,748
Memorials and donations	1,405
Miscellaneous	<u>478</u>
Total revenues	<u>124,029</u>

**Expenditures:**

Salaries, wages and payroll taxes	52,795
Purchase of books, periodicals and other media	16,499
Utilities	5,910
Building and equipment maintenance	16,045
Insurance	1,800
Supplies	3,747
Technology, equipment and improvements	29,683
Miscellaneous	<u>5,003</u>
Total expenditures	<u>131,482</u>

Expenditures over revenues	(7,453)
Fund balance, beginning of year	<u>77,649</u>
Fund balance, end of year	<u>\$ 70,196</u>

**Reconciliation of change in net position:**

Expenditures over revenues per above	\$ (7,453)
Add current year assets capitalized	34,797
Less current year depreciation on capital assets	(15,593)
Change in deferred outflows related to pensions	(1,765)
Change in deferred inflows related to pensions	(413)
Change in net pension liability	<u>2,035</u>
Change in net position	<u>\$ 11,608</u>

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