

CITY OF CHERRYVALE, KANSAS

Independent Auditors' Report and
Financial Statement with
Supplementary Information

For the Year Ended December 31, 2017

CITY OF CHERRYVALE, KANSAS

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Cherryvale, Kansas

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

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplemental Information

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of City of Cherryvale, Kansas as of and for the year ended December 31, 2016 (not presented herein), and have issued our report thereon dated June 20, 2017, which contained an unmodified opinion on the basic financial statement. The 2016 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2016 actual column (2016 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2017 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2016 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 basic financial statement and certain additional procedures, including comparing and reconciling such information directly

to the underlying accounting and other records used to prepare the 2016 basic financial statement or to the 2016 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2016, on the basis of accounting described in Note 1.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 3, 2018
Chanute, Kansas

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

Funds	Beginning Unencumbered Cash Balances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Add	
					Encumbrances and Accounts Payable	Cash Balance December 31, 2017
General	\$ 68,704.12	\$ 1,738,894.34	\$ 1,511,715.90	\$ 295,882.56	\$ 30,577.83	\$ 326,460.39
Special Purpose Funds:						
Library	-	61,170.24	61,170.24	-	-	-
Special Parks and Recreation	6,284.16	-	700.00	5,584.16	-	5,584.16
Special Highway	43,631.82	70,328.21	105,597.89	8,362.14	989.53	9,351.67
Small Grants	1,184.72	75,851.79	33,860.57	43,175.94	-	43,175.94
Capital Improvements Reserve	448,462.21	3,959.00	53,458.33	398,962.88	-	398,962.88
Municipal Equipment Reserve	35,673.79	4,437.47	18,161.40	21,949.86	-	21,949.86
RBEF Loan	114,566.69	21,304.21	15.00	135,855.90	-	135,855.90
Bond and Interest Funds:						
Bond and Interest	2,717.19	211,533.70	214,250.00	0.89	-	0.89
Business Funds:						
Water Utility	170,137.16	656,603.93	500,344.87	326,396.22	4,007.60	330,403.82
Sewer Utility	308,324.05	250,761.48	259,977.33	299,108.20	3,512.30	302,620.50
Refuse Utility	32,906.25	124,938.98	112,470.93	45,374.30	-	45,374.30
Trust Funds:						
Cemetery	1,713.79	-	-	1,713.79	-	1,713.79
Total Reporting Entity (Excluding Agency Funds)	\$ 1,234,305.95	\$ 3,219,783.35	\$ 2,871,722.46	\$ 1,582,366.84	\$ 39,087.26	\$ 1,621,454.10

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

Statement 1 (Continued)**CITY OF CHERRYVALE, KANSAS**

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

	Cash Balance December 31,
	<u>2017</u>
Total Cash to be Accounted for:	<u><u>\$ 1,621,454.10</u></u>
Composition of Cash:	
Cash on Hand	\$ 300.00
Checking Accounts:	
Petty Cash Checking	440.00
CNB Operating Account	507,689.51
CNB Money Market.....	699,007.88
Sidewalk.....	1,000.00
Small Grants Operating Account.....	2,160.81
Rural Business Enterprise Grant Account.....	135,855.90
Drug Seizure Account.....	837.30
Firefighters Auxiliary Fund Account	6,117.63
Volunteer Firefighters Fund Account	325.40
Firefighters Flag Fund Account	93.12
FSA Fund Account	6,080.41
Police Explorers Fund Account	92.36
Investments:	
Certificates of Deposit	<u>275,000.00</u>
Total Cash	1,635,000.32
Agency Funds Per Schedule 3	<u>(13,546.22)</u>
Total Reporting Entity (Excluding Agency Funds)	<u><u>\$ 1,621,454.10</u></u>

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

CITY OF CHERRYVALE, KANSAS

Notes to the Financial Statement
For the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of Cherryvale, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies follow. Note 1 describes how the City's accounting policies differ from generally accepted accounting principles.

Financial Reporting Entity

The City of Cherryvale, Kansas, is a municipal corporation governed by an elected mayor and four council members. This financial statement presents the City of Cherryvale.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the City. Related municipal entities are not required to be included in the City's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG). Based upon the application of this criterion, the following is a brief review of potential related municipal entities:

Cherryvale Public Library – The City of Cherryvale, Kansas, Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Bond issuances must also be approved by the City. The City levies taxes for the Library Board and significantly influences the Library's operations. Separate internal financial statements are available at the Library.

Cherryvale Housing Authority

The Cherryvale Housing Authority operates the City's housing projects. The Cherryvale Housing Authority can sue and be sued, and can buy, sell, or lease real property. Bond ordinances must be approved by the City. Separate internal audited financial statements are available at the Housing Authority.

Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the City of Cherryvale, Kansas, for the year of 2017:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis Fund Types (Continued)

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

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

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

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

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

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection account, etc.).

Basis of Presentation – Regulatory Basis of Accounting

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

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

Property Taxes

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 1st 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 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 1st of the ensuing year. Consequently, for revenue recognition purposes, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Plan

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System, of which are a multi-employer state-wide pension plan. The City's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State of Kansas.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as cash receipts. In the financial statement and budget schedules comparisons presented in this report, reimbursements and refunds are recorded as cash receipts. The reimbursements are recorded as cash receipts when received by the City Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Special Assessments

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City. Special assessments paid prior to the issuance of general obligation bonds are recorded as cash receipts in the appropriate project. Special assessments received after the issuance of general obligation bonds are recorded as cash receipts in the bond and interest fund. Further, state statutes require levying additional general ad valorem property taxes in the City bond and interest fund to finance delinquent special assessments receivable.

Budgetary Information

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds:

- Small Grants Fund
- Capital Improvements Reserve Fund
- Municipal Equipment Reserve Fund
- KAN Step Grant Fund
- RBEG Loan Fund

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement and Schedule 1, the City was in compliance with Kansas cash basis and budget laws.

The City was in apparent violation of K.S.A. 10-130, which requires bond payments to be remitted to the state fiscal agency at least 20 days before the redemption of such bonds and the payment of the interest thereon. In apparent violation of K.S.A. 10-130, one bond payment was received by the Office of the State Treasurer 12 days prior to the redemption date.

3. DEPOSITS AND INVESTMENTS

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

K.S.A 12-1675 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.

3. DEPOSITS AND INVESTMENTS (Continued)

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2017.

Deposits: At year-end, the City's carrying amount of deposits was \$1,634,700.32 and the bank balance was \$1,742,695.40. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$653,002.93 was covered by FDIC insurance, and \$1,089,692.47 was collateralized with pledged securities held by the pledging financial institutions' agents in the City's name.

4. CAPITAL LEASE OBLIGATIONS

The City has entered into a capital lease agreement in order to finance the acquisition of a flooring for the Community Center. Payments are made annually, including interest at approximately 2.95%. Final maturity of the lease is January 15, 2020. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2018	\$ 9,574.45
2019	9,574.45
2020	<u>9,574.45</u>
	28,723.35
Less imputed interest	<u>(1,078.54)</u>
Net Present Value of Minimum	
Lease Payments	27,644.81
Less: Current Maturities	<u>(9,038.14)</u>
Long-Term Capital Lease Obligations	<u>\$ 18,606.67</u>

5. OPERATING LEASES

As of December 31, 2017 the City has entered into an operating lease for office equipment. Rent expense for the year ended December 31, 2017, was \$564.00. Under the current lease agreements, the future minimum rental payments are as follows:

2018	\$ 564.00
2019	564.00
2020	564.00

6. LONG-TERM DEBT

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

Issue	Interest Rates	Date of Issue	Original Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds:									
Paid by Tax Levies and Utility Receipts:									
GO Refunding and Improvement Bonds, Series 2016	2.0% - 3.0%	May 24, 2016	\$ 3,175,000.00	October 1, 2035	\$ 3,125,000.00	\$ -	\$ (140,000.00)	\$ 2,985,000.00	\$ 74,250.00
Capital Leases:									
Library Chair Lift	4.74%	October 16, 2009	91,900.00	June 11, 2018	1,239.19	-	(1,239.19)	-	117.74
Police 2015 Dodge Charger	2.65%	March 2, 2015	38,471.64	March 2, 2017	12,821.59	-	(12,821.59)	-	338.10
Community Center Flooring	1.94%	November 27, 2015	45,208.36	January 15, 2020	36,510.95	-	(8,866.14)	27,644.81	708.31
Total Contractual Indebtedness			\$ 3,175,571.73		\$ 3,175,571.73	\$ -	\$ (162,926.92)	\$ 3,012,644.81	\$ 75,414.15

6. LONG-TERM DEBT (Continued)

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

Issue	2018	2019	2020	2021	2022	2023-2027	2028-2032	2033-2035	Total
Principal									
General Obligation Bonds:									
Refunding and Improvement Bonds Series 2016	\$ 155,000.00	\$ 155,000.00	\$ 155,000.00	\$ 155,000.00	\$ 155,000.00	\$ 855,000.00	\$ 860,000.00	\$ 495,000.00	\$ 2,985,000.00
Capital Leases	9,038.14	9,213.49	9,393.18	-	-	-	-	-	27,644.81
Community Center Flooring	164,038.14	164,213.49	164,393.18	155,000.00	155,000.00	855,000.00	860,000.00	495,000.00	3,012,644.81
Total Principal Payments									
Interest									
General Obligation Bonds:									
Refunding and Improvement Bonds Series 2016	71,450.00	68,350.00	65,250.00	62,150.00	59,050.00	203,900.00	146,850.00	29,850.00	706,850.00
Capital Leases	536.31	360.96	181.27	-	-	-	-	-	1,078.54
Community Center Flooring	71,986.31	68,710.96	65,431.27	62,150.00	59,050.00	203,900.00	146,850.00	29,850.00	707,928.54
Total Interest Payments									
Total Principal and Interest	\$ 236,024.45	\$ 232,924.45	\$ 229,824.45	\$ 217,150.00	\$ 214,050.00	\$ 1,058,900.00	\$ 1,006,850.00	\$ 524,850.00	\$ 3,720,573.35

7. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. The (non-school municipality) participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

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

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate through March 31, 2016 with a 0% moratorium until September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from the City were \$75,930.65 for the year ended December 31, 2017.

Net Pension Liability

At December 31, 2017, the City's proportionate share of the collective net pension liability reported by KPERS was \$719,303.00. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

8. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences:

All full-time employees of the City are eligible for vacation benefits in varying annual amounts. Full time employees will be granted paid vacation time according to the following schedules:

Years Continuous Employment:	0-4	5-10	10-15	15+
80 Hours Earned per Pay Period	3.08	4.62	5.54	6.15
80 Hours Annual Accrual	80	120	144	160
84 Hours Earned per Pay Period	3.23	4.85	5.88	6.46
84 Hours Annual Accrual	84	126	153	168
Maximum Hours Accrued	126	126	189	252

In the event of termination employees will be compensated for unused vacation leave.

All full time employees are eligible for paid sick leave and accruing begins on the first day of the month following their first full month on employment and is accrued at a rate of eight hours per month. Employees who resign and give two weeks' notice before they leave employment with the City after three years of service, at the discretion of the City Administrator, will be eligible to receive 10% of their sick time up to 92 hours. The City determines a liability for compensated absences when the following conditions are met:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the City has estimated a liability for vacation pay, which has been earned, but not taken by City employees of \$35,168.54. The City has not accrued a liability for sick leave earned, but not taken, by City employees, as the amounts cannot be reasonably estimated at this time.

Other Post Employment Benefits:

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

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

9. NOTES RECEIVABLE AND LOANS RECEIVABLE

The City has established an RBEG Revolving Loan Fund. The Fund is the recipient of money paid back to the City by Cherryvale industries which received Rural Business Enterprise Grants in earlier years. As repayment is made by these industries, the City makes loans to other qualifying industries. The loans due to the City at December 31, 2017, through the RBEG Revolving Loan Fund are as follows:

Testosterone Motorsports	\$ 7,545.00
Tangled Up Salon	4,270.12
Roberson Archery	<u>2,800.00</u>
TOTAL NOTES RECEIVABLE	<u>\$ 14,615.12</u>

These notes receivable and loans are not reflected in this regulatory basis financial statement of the City of Cherryvale, Kansas.

10. COMMITMENTS

In 2012 the City entered into an agreement with Montgomery County and Kansas Housing Resources Corporation (KHRC) for the purpose of building two moderate income houses. KHRC loaned the County \$20,000.00 for the project. This was in conjunction with other houses being built in the County, for a total loan of \$80,000.00. The City has agreed to commit the increase in ad valorem tax from these two houses to pay back the loan to KHRC. For 2017 the amount was \$872.68.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

The City has been unable to obtain workers' compensation insurance at a cost it considers to be economically justifiable. For this reason, the City has joined together with other cities in the State to participate in Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for participating members. The City pays annual premium to KMIT for its workers' compensation insurance coverage. The agreement to participate provides that KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of a stated dollar amount for each insurance event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT management.

12. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water Utility	Bond and Interest	K.S.A. 12-825d	\$ 71,532.09
Sewer Utility	Bond and Interest	K.S.A. 12-825d	140,000.00

13. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statement. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

CITY OF CHERRYVALE, KANSAS
Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
Regulatory Basis
For the Year Ended December 31, 2017

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
	\$	\$	\$	\$	\$
General	1,849,600.00	33,235.10	1,882,835.10	1,511,715.90	(371,119.20)
Special Purpose Funds:					
Library	63,000.00	-	63,000.00	61,170.24	(1,829.76)
Special Parks and Recreation	700.00	-	700.00	700.00	-
Special Highway	106,100.00	-	106,100.00	105,597.89	(502.11)
Bond and Interest Funds:					
Bond and Interest	222,000.00	-	222,000.00	214,250.00	(7,750.00)
Business Funds:					
Water Utility	633,000.00	-	633,000.00	500,344.87	(132,655.13)
Sewer Utility	469,300.00	-	469,300.00	259,977.33	(209,322.67)
Refuse Utility	136,000.00	-	136,000.00	112,470.93	(23,529.07)

CITY OF CHERRYVALE, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		Variance -
	Prior Year Actual	Actual	Budget	Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	\$ 331,393.26	\$ 402,299.16	\$ 453,451.00	\$ (51,151.84)
Delinquent Tax	26,105.49	26,712.26	19,000.00	7,712.26
Motor Vehicle Tax	53,709.70	59,891.59	61,523.00	(1,631.41)
Recreational Vehicle Tax	570.29	840.84	564.00	276.84
16/20M Truck Tax	158.15	141.93	200.00	(58.07)
Commercial Vehicle Tax	1,848.06	2,126.85	1,436.00	690.85
Watercraft Tax	372.18	411.43	431.00	(19.57)
Sales Tax	532,685.03	478,114.75	490,000.00	(11,885.25)
Compensating Use Tax	139,592.69	180,093.66	131,000.00	49,093.66
Franchise Taxes	179,405.67	176,249.84	181,000.00	(4,750.16)
In Lieu of Taxes	1,292.99	1,342.18	800.00	542.18
Nuisance Tax	925.00	3,045.00	1,100.00	1,945.00
Intergovernmental				
State Grants	16,884.00	-	-	-
Local Alcoholic Liquor Tax	640.84	2,235.27	2,500.00	(264.73)
Licenses and Permits				
Licenses, Permits & Fees	4,135.00	4,309.70	3,000.00	1,309.70
Charges for Services				
Grave Openings/Sale of Lots	5,645.00	8,200.00	200,000.00	(191,800.00)
County Ambulance	62,765.96	62,787.28	-	62,787.28
Ambulance Fees	141,378.39	128,109.32	-	128,109.32
Swimming Pool Fees	3,910.44	3,233.55	-	3,233.55
Refuse Collection Retainage	-	-	-	-
VIN Inspections	980.00	880.00	-	880.00
Fines, Forfeitures and Penalties				
Fines	27,179.99	33,173.08	60,000.00	(26,826.92)
Use of Money and Property				
Capital Lease Proceeds	-	-	-	-
Interest	7,311.72	17,910.75	40,000.00	(22,089.25)
Rental Income	10,032.50	13,062.81	-	13,062.81
Sale of Property	-	93,990.90	-	93,990.90
Other Receipts				
Donations	-	-	-	-
Miscellaneous	3,932.60	4,413.65	6,000.00	(1,586.35)
Reimbursed Expense	98,418.67	33,235.10	20,000.00	13,235.10
Community Center Memberships	1,489.39	2,083.44	-	2,083.44
Operating Transfers from:				
Water Utility Fund	117,500.00	-	50,000.00	(50,000.00)
Sewer Utility Fund	195,000.00	-	165,000.00	(165,000.00)
Total Receipts	1,965,263.01	1,738,894.34	\$1,887,005.00	\$ (148,110.66)

CITY OF CHERRYVALE, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures				
Governing Body				
Personal Services	\$ 13,487.53	\$ 19,057.42	\$ 19,000.00	\$ 57.42
Contractual Services	33,179.38	27,857.88	30,000.00	(2,142.12)
Commodities	3,442.70	6,236.63	10,000.00	(3,763.37)
City Administrator's Office				
Personal Services	88,110.41	84,835.26	76,000.00	8,835.26
Contractual Services	9,189.14	9,016.11	10,000.00	(983.89)
Commodities	8,824.28	1,335.19	10,000.00	(8,664.81)
Capital Outlay	-	9,447.68	5,000.00	4,447.68
City Clerk's Office				
Personal Services	137,675.45	154,254.34	139,000.00	15,254.34
Contractual Services	24,490.97	20,627.85	18,000.00	2,627.85
Commodities	14,574.45	14,723.37	20,000.00	(5,276.63)
Police Department				
Personal Services	331,552.50	344,010.60	319,000.00	25,010.60
Contractual Services	29,407.34	28,057.14	25,000.00	3,057.14
Commodities	48,942.84	50,573.55	50,000.00	573.55
Fire Department				
Personal Services	427,712.09	436,972.39	427,000.00	9,972.39
Contractual Services	39,209.32	44,045.49	38,000.00	6,045.49
Commodities	43,371.71	42,926.74	57,000.00	(14,073.26)
Parks and Cemetery				
Personal Services	25,736.75	32,253.11	35,000.00	(2,746.89)
Contractual Services	37,981.92	35,963.74	48,000.00	(12,036.26)
Commodities	6,964.68	4,461.34	15,000.00	(10,538.66)
Swimming Pool				
Personal Services	15,208.58	13,419.77	23,000.00	(9,580.23)
Contractual Services	3,567.33	1,815.86	2,300.00	(484.14)
Commodities	7,039.16	8,414.17	16,000.00	(7,585.83)
Community Building				
Personal Services	7,551.29	8,902.05	10,000.00	(1,097.95)
Contractual Services	11,506.03	13,806.07	9,000.00	4,806.07
Commodities	5,336.51	4,633.84	7,000.00	(2,366.16)
Capital Outlay	2,444.00	13,711.22	20,000.00	(6,288.78)
Debt Service	9,574.45	-	-	-
Street and Street Lighting Department				
Contractual Services	50,325.41	45,851.91	47,000.00	(1,148.09)

CITY OF CHERRYVALE, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures (Continued)				
Municipal Court				
Personal Services	\$ -	\$ 75.00	\$ -	\$ 75.00
Contractual Services	13,722.20	18,902.13	15,000.00	3,902.13
Commodities	212.63	73.27	-	73.27
Employee Benefits				
Personal Services	13,035.39	9,801.00	18,000.00	(8,199.00)
Neighborhood Revitalization				
Rebates	3,339.46	4,595.32	3,800.00	795.32
Capital Outlay	-	-	5,000.00	(5,000.00)
Smelter Site	6,767.31	1,058.46	3,500.00	(2,441.54)
Operating Transfers to:				
Special Highway Fund	56,487.39	-	39,000.00	(39,000.00)
Municipal Equipment				
Reserve Fund	10,000.00	-	5,000.00	(5,000.00)
Capital Improvements				
Reserve Fund	168,069.43	-	85,000.00	(85,000.00)
Sewer Utility Fund	221,851.65	-	190,000.00	(190,000.00)
Total Certified Budget			1,849,600.00	(337,884.10)
Adjustments for Qualifying				
Budget Credits			33,235.10	(33,235.10)
Total Expenditures	1,929,891.68	1,511,715.90	\$1,882,835.10	\$ (371,119.20)
Receipts Over(Under) Expenditures	35,371.33	227,178.44		
Unencumbered Cash, Beginning	33,332.79	68,704.12		
Unencumbered Cash, Ending	\$ 68,704.12	\$ 295,882.56		

CITY OF CHERRYVALE, KANSAS
LIBRARY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	\$ 45,469.16	\$ 48,262.84	\$ 54,403.00	\$ (6,140.16)
Delinquent Tax	4,024.10	3,924.32	4,000.00	(75.68)
Motor Vehicle Tax	8,221.23	8,334.89	8,442.00	(107.11)
Recreational Vehicle Tax	88.68	116.81	77.00	39.81
Watercraft Tax	54.75	56.46	59.00	(2.54)
16/20M Truck Tax	28.29	20.88	27.00	(6.12)
Commercial Vehicle Tax	276.08	293.01	197.00	96.01
In Lieu of Taxes	177.43	161.03	150.00	11.03
Total Receipts	58,339.72	61,170.24	\$ 67,355.00	\$ (6,184.76)
Expenditures				
Culture and Recreation				
Appropriations	52,093.25	59,813.31	\$ 63,000.00	\$ (3,186.69)
Debt Service				
Lift Lease Payment	6,246.47	1,356.93	-	1,356.93
Total Expenditures	58,339.72	61,170.24	\$ 63,000.00	\$ (1,829.76)
Receipts Over(Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ -		

CITY OF CHERRYVALE, KANSAS
SPECIAL PARKS AND RECREATION FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipts				
Local Alcoholic Liquor Tax	\$ 640.83	\$ -	\$ 650.00	\$ (650.00)
Sales Tax	-	-	-	-
Total Receipts	640.83	-	\$ 650.00	\$ (650.00)
Expenditures				
Culture and Recreation				
Capital Outlay	1,790.00	700.00	\$ 700.00	\$ -
Total Expenditures	1,790.00	700.00	\$ 700.00	\$ -
Receipts Over(Under) Expenditures	(1,149.17)	(700.00)		
Unencumbered Cash, Beginning	7,433.33	6,284.16		
Unencumbered Cash, Ending	\$ 6,284.16	\$ 5,584.16		

CITY OF CHERRYVALE, KANSAS
SPECIAL HIGHWAY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Highway Gas Tax	\$ 59,853.91	\$ 58,911.26	\$ 59,250.00	\$ (338.74)
County Gas Tax	10,416.09	10,616.95	9,440.00	1,176.95
Other Receipt				
Miscellaneous	872.85	-	-	-
Reimbursed Expense	85.00	800.00	-	800.00
Operating Transfers from General Fund	56,487.39	-	39,000.00	(39,000.00)
Total Receipts	127,715.24	70,328.21	\$ 107,690.00	\$ (37,361.79)
Expenditures				
General Government				
Personal Services	68,545.80	73,834.30	\$ 75,000.00	\$ (1,165.70)
Contractual Services	7,434.84	5,823.32	5,100.00	723.32
Commodities	21,097.04	25,940.27	26,000.00	(59.73)
Total Expenditures	97,077.68	105,597.89	\$ 106,100.00	\$ (502.11)
Receipts Over(Under) Expenditures	30,637.56	(35,269.68)		
Unencumbered Cash, Beginning	12,994.26	43,631.82		
Unencumbered Cash, Ending	\$ 43,631.82	\$ 8,362.14		

CITY OF CHERRYVALE, KANSAS
SMALL GRANTS FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2017

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

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Intergovernmental		
Federal Grants	\$ 441,431.13	\$ 63,572.41
Other Receipts		
Miscellaneous	-	12,279.38
Reimbursed Expense	45,200.08	-
Operating Transfers from		
Capital Improvements Reserve Fund	240,771.23	-
Total Receipts	<u>727,402.44</u>	<u>75,851.79</u>
Expenditures		
Capital Improvements		
Personal Services	46,027.99	30,860.62
Contractual Services	517,410.54	999.95
Capital Outlay	101,754.29	2,000.00
Operating Transfers to:		
General fund	-	-
Total Expenditures	<u>665,192.82</u>	<u>33,860.57</u>
Receipts Over(Under) Expenditures	62,209.62	41,991.22
Unencumbered Cash, Beginning	<u>(61,024.90)</u>	<u>1,184.72</u>
Unencumbered Cash, Ending	<u>\$ 1,184.72</u>	<u>\$ 43,175.94</u>

CITY OF CHERRYVALE, KANSAS
CAPITAL IMPROVEMENTS RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2017

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

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Other Receipts		
Reimbursed Expense	\$ 4,150.00	\$ 3,959.00
Operating Transfers from:		
General Fund	168,069.88	-
Water Utility Fund	25,000.00	-
Sewer Utility Fund	22,500.00	-
Total Receipts	<u>219,719.88</u>	<u>3,959.00</u>
Expenditures		
General Government		
Capital Outlay	40,105.45	53,458.33
Debt Service		
Capital Lease Payment	1,809.00	-
Operating Transfers to		
Small Grants Fund	240,771.23	-
Total Expenditures	<u>282,685.68</u>	<u>53,458.33</u>
Receipts Over(Under) Expenditures	(62,965.80)	(49,499.33)
Unencumbered Cash, Beginning	<u>511,428.01</u>	<u>448,462.21</u>
Unencumbered Cash, Ending	<u>\$ 448,462.21</u>	<u>\$ 398,962.88</u>

CITY OF CHERRYVALE, KANSAS
MUNICIPAL EQUIPMENT RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2017

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

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Other Receipts		
Reimbursed Expense	\$ 6,247.00	\$ 4,437.47
Operating Transfers from:		
General Fund	10,000.00	-
Water Utility Fund	25,000.00	-
Sewer Utility Fund	22,500.00	-
Total Receipts	<u>63,747.00</u>	<u>4,437.47</u>
Expenditures		
Capital Projects		
Capital Outlay	38,356.95	5,000.00
Debt Service		
Capital Lease Payment	59,956.97	13,161.40
Total Expenditures	<u>98,313.92</u>	<u>18,161.40</u>
Receipts Over(Under) Expenditures	(34,566.92)	(13,723.93)
Unencumbered Cash, Beginning	<u>70,240.71</u>	<u>35,673.79</u>
Unencumbered Cash, Ending	<u>\$ 35,673.79</u>	<u>\$ 21,949.86</u>

CITY OF CHERRYVALE, KANSAS
RBEG LOAN FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2017

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

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Use of Money and Property		
Loan Repayments	<u>\$ 22,343.32</u>	<u>\$ 21,304.21</u>
Total Receipts	<u>22,343.32</u>	<u>21,304.21</u>
Expenditures		
General Government		
Contractual Services	<u>-</u>	<u>15.00</u>
Total Expenditures	<u>-</u>	<u>15.00</u>
Receipts Over(Under) Expenditures	22,343.32	21,289.21
Unencumbered Cash, Beginning	<u>92,223.37</u>	<u>114,566.69</u>
Unencumbered Cash, Ending	<u><u>\$ 114,566.69</u></u>	<u><u>\$ 135,855.90</u></u>

CITY OF CHERRYVALE, KANSAS
BOND AND INTEREST FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Delinquent Tax	\$ 100.28	\$ 1.61	\$ 110.00	\$ (108.39)
Use of Money and Property				
Bond Proceeds	3,231,802.61	-	-	-
Operating Transfers from:				
Sewer Utility Fund	107,545.00	140,000.00	140,000.00	-
Water Utility Fund	94,449.00	71,532.09	80,000.00	(8,467.91)
Total Receipts	<u>3,433,896.89</u>	<u>211,533.70</u>	<u>\$ 220,110.00</u>	<u>\$ (8,576.30)</u>
Expenditures				
Debt Services				
Principal	3,240,329.01	140,000.00	\$ 145,000.00	\$ (5,000.00)
Interest	136,769.14	74,250.00	75,000.00	(750.00)
Commissions and Postage	1,530.32	-	2,000.00	(2,000.00)
Bond Issuance Costs	70,282.75	-	-	-
Total Expenditures	<u>3,448,911.22</u>	<u>214,250.00</u>	<u>\$ 222,000.00</u>	<u>\$ (7,750.00)</u>
Receipts Over(Under) Expenditures	(15,014.33)	(2,716.30)		
Unencumbered Cash, Beginning	<u>17,731.52</u>	<u>2,717.19</u>		
Unencumbered Cash, Ending	<u>\$ 2,717.19</u>	<u>\$ 0.89</u>		

CITY OF CHERRYVALE, KANSAS
WATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Water Receipts	\$ 623,672.51	\$ 623,423.77	\$ 605,000.00	\$ 18,423.77
Penalties	15,170.33	14,025.72	13,000.00	1,025.72
Reconnection Fees	11,611.81	11,154.01	12,000.00	(845.99)
Other Fees	6,914.68	7,055.43	3,500.00	3,555.43
Other Receipts				
Miscellaneous	555.00	525.00	1,000.00	(475.00)
Reimbursed Expenses	40.00	420.00	500.00	(80.00)
Total Receipts	657,964.33	656,603.93	\$ 635,000.00	\$ 21,603.93
Expenditures				
Distribution				
Personal Services	81,916.20	81,580.05	\$ 87,000.00	\$ (5,419.95)
Contractual Services	18,228.65	26,782.05	30,000.00	(3,217.95)
Commodities	319,554.95	310,072.93	360,000.00	(49,927.07)
Capital Outlay	-	10,377.75	16,000.00	(5,622.25)
Operating Transfers to:				
Bond and Interest Fund	94,449.00	71,532.09	80,000.00	(8,467.91)
General Fund	117,500.00	-	50,000.00	(50,000.00)
Capital Improvements				
Reserve Fund	25,000.00	-	5,000.00	(5,000.00)
Municipal Equipment				
Reserve Fund	25,000.00	-	5,000.00	(5,000.00)
Total Expenditures	681,648.80	500,344.87	\$ 633,000.00	\$ (132,655.13)
Receipts Over(Under) Expenditures	(23,684.47)	156,259.06		
Unencumbered Cash, Beginning	193,821.63	170,137.16		
Unencumbered Cash, Ending	\$ 170,137.16	\$ 326,396.22		

CITY OF CHERRYVALE, KANSAS
SEWER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Sewer Collections	\$ 248,938.27	\$ 245,233.36	\$ 235,000.00	\$ 10,233.36
Penalties	5,917.62	5,528.12	5,400.00	128.12
Operating Transfers from General Fund	221,851.64	-	190,000.00	(190,000.00)
Total Receipts	476,707.53	250,761.48	\$ 430,400.00	\$ (179,638.52)
Expenditures				
Collections				
Personal Services	74,482.22	78,554.44	\$ 90,300.00	\$ (11,745.56)
Contractual Services	15,166.05	18,923.84	14,000.00	4,923.84
Commodities	17,658.51	22,499.05	30,000.00	(7,500.95)
Capital Outlay	-	-	10,000.00	(10,000.00)
Operating Transfers to:				
Bond and Interest Fund	107,545.00	140,000.00	140,000.00	-
Municipal Equipment Reserve Fund	22,500.00	-	10,000.00	(10,000.00)
Capital Improvements Reserve Fund	22,500.00	-	10,000.00	(10,000.00)
General Fund	195,000.00	-	165,000.00	(165,000.00)
Total Expenditures	454,851.78	259,977.33	\$ 469,300.00	\$ (209,322.67)
Receipts Over(Under) Expenditures	21,855.75	(9,215.85)		
Unencumbered Cash, Beginning	286,468.30	308,324.05		
Unencumbered Cash, Ending	\$ 308,324.05	\$ 299,108.20		

CITY OF CHERRYVALE, KANSAS
REFUSE UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Collection Fees	\$ 125,803.48	\$ 124,938.98	\$ 128,000.00	\$ (3,061.02)
Polycart Rentals	-	-	2,000.00	(2,000.00)
Total Receipts	125,803.48	124,938.98	\$ 130,000.00	\$ (5,061.02)
Expenditures				
General Utility Services				
Contractual Services	112,095.61	112,470.93	\$ 128,000.00	\$ (15,529.07)
Capital Outlay	-	-	8,000.00	(8,000.00)
Total Expenditures	112,095.61	112,470.93	\$ 136,000.00	\$ (23,529.07)
Receipts Over(Under) Expenditures	13,707.87	12,468.05		
Unencumbered Cash, Beginning	19,198.38	32,906.25		
Unencumbered Cash, Ending	\$ 32,906.25	\$ 45,374.30		

CITY OF CHERRYVALE, KANSAS
CEMETERY FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2017

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

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Other Receipts		
Donations	<u>\$ -</u>	<u>\$ -</u>
Total Receipts	<u>-</u>	<u>-</u>
Expenditures		
Perpetual Care		
Capital Outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>1,713.79</u>	<u>1,713.79</u>
Unencumbered Cash, Ending	<u><u>\$ 1,713.79</u></u>	<u><u>\$ 1,713.79</u></u>

CITY OF CHERRYVALE, KANSAS
AGENCY FUNDS
Schedule of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2017

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Firefighter's Auxiliary Fund	\$ 6,117.63	\$ -	\$ -	\$ 6,117.63
Volunteer Firefighters Fund	318.89	1,447.41	1,440.90	325.40
Firefighters Flag Fund	88.12	5.00	-	93.12
FSA Fund	5,402.95	8,484.00	7,806.54	6,080.41
Police Explorers Fund	92.36	-	-	92.36
Fire Insurance Proceeds	18,468.66	9,688.13	28,156.79	-
Drug Seizure Fund	957.30	-	120.00	837.30
	<u>\$ 31,445.91</u>	<u>\$ 19,624.54</u>	<u>\$ 37,524.23</u>	<u>\$ 13,546.22</u>



The Honorable Mayor and City Council
City of Cherryvale, Kansas

In planning and performing our audit of the financial statement of City of Cherryvale, Kansas as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered City of Cherryvale's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of City of Cherryvale's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Cherryvale's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

Kansas Statutes

The City was in apparent violation of K.S.A. 10-130, which requires bond payments to be remitted to the state fiscal agency at least 20 days before the redemption of such bonds and the payment of the interest thereon. In apparent violation of K.S.A. 10-130, one bond payment was received by the Office of the State Treasurer 12 days prior to the redemption date.

Jarred, Gilmore & Phillips, PA
CERTIFIED PUBLIC ACCOUNTANTS

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This communication is intended solely for the information and use of management, City Council, and others within the City of Cherryvale, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jarred, Gilmore & Phillips, PA".

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
May 3, 2018