



Michael D. Peroo CPA, PA

Exceeding Expectations

CITY OF LEBO, KANSAS

**Financial Statements for the
Year Ended December 31, 2017
And Independent Auditors' Report**

CITY OF LEBO, KANSAS

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Exceeding Expectations

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Lebo, Kansas

We were engaged to audit the accompanying financial statements of the City of Lebo, Kansas (City), as of December 31, 2017 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 an opinion 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 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 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 statements.

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

Basis for Opinion

The City has elected not to adopt the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

As described more fully in Note 1, the City prepares its financial statements on a basis of accounting prescribed by the Kansas Division of Accounts and Reports to demonstrate compliance with the cash basis laws of the State of Kansas, which basis differs from generally accepted accounting principles.

Opinion

In our opinion, because of the effect of the matters discussed in the proceedings paragraphs, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the City of Lebo, Kansas, as of December 31, 2017, or the results of its operations for the year then ended.

Other Matter

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles general accepted in the United State of America, the *Kansas Municipal Audit and Accounting Guide*. Our opinion is modified with respect to this matter

Report on Supplementary Information

The supplemental schedules for the year ended December 31, 2017, listed in the foregoing table of contents are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. Such information, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Michael D. Peroo, CPA, PA

February 28, 2018

Olathe, Kansas

Michael D. Peroo, CPA

Michael D. Peroo, CPA
In Charge of and Actively Engaged
on this Audit

CITY OF LEBO, KANSAS

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS YEAR ENDED DECEMBER 31, 2017

	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
General Fund	\$ 407,682	\$ 549,013	\$ 787,822	\$ 168,873
Special Revenue Funds:				
Economic Development Fund	41,104	52,838	24,503	69,439
Law Enforcement Fund	10,095	7,154		17,249
Employee Benefit Fund	8,281	29,764	36,212	1,833
Special Highway Fund	945	24,225	20,438	4,732
Special Liability Fund	351	1,805	1,989	167
Special Park and Recreation Fund	18,695	39,618	37,944	20,369
Capital Project Funds				
Capital Improvement Reserve	222,521	325,000	483,290	64,231
Municipal Equipment Reserve	34,351	15,000		49,351
Enterprise Funds				
Gas Fund	282,250	199,076	210,981	270,345
Water Fund	181,157	221,910	225,985	177,082
Sewer Fund	165,868	84,666	95,921	154,613
Solid Waste	<u>14,725</u>	<u>64,703</u>	<u>61,888</u>	<u>17,540</u>
Total Reporting Entity	\$ <u>1,388,025</u>	1,614,772	1,986,973	\$ <u>1,015,824</u>
Less Transfers:		<u>370,000</u>	<u>370,000</u>	
Net Receipts and Disbursements		\$ <u>1,244,772</u>	\$ <u>1,616,973</u>	
COMPOSITION OF CASH:				
Farmers State Bank of Aliceville - Operating Account			\$	11,061
Farmers State Bank of Aliceville -Savings				919,794
Farmers Sate Bank of Aliceville - Debit Card				1,024
Farmers State Bank of Aliceville - Economic Development				69,731
Farmers State Bank of Aliceville - Utility Deposit Savings				14,194
Cash Drawer				<u>20</u>
			\$	<u>1,015,824</u>

CITY OF LEBO, KANSAS

SUMMARY OF CASH DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2017

	<u>Cash</u> <u>Disbursements</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
General Fund	\$ 787,822	\$ 815,081	\$ 27,259
Special Revenue Funds:			
Law Enforcement Fund		30,433	30,433
Employee Benefit Fund	36,212	43,719	7,507
Special Highway Fund	20,438	24,392	3,954
Special Liability Fund	1,989	2,088	99
Special Parks and Recreation Fund	37,944	42,400	4,456
Enterprise Funds:			
Gas Fund	210,981	273,758	62,777
Water Fund	225,985	227,418	1,433
Sewer Fund	95,921	96,683	762
Solid Waste Fund	61,888	61,888	
Total Budgeted Funds	<u>1,479,180</u>	<u>\$ 1,617,860</u>	<u>\$ 138,679</u>
Non Budgeted Funds:			
Capital Improvement Fund	483,290		
Economic Development	24,503		
Total Non Budgeted Funds	<u>507,793</u>		
Total Cash Disbursements	<u>\$ 1,986,973</u>		

CITY OF LEBO, KANSAS

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2017

	2016 Actual	2017 Actual	2017 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Property Tax	\$ 111,995	\$ 143,856	\$ 143,257	\$ 599
Sales Tax	100,943	104,915	92,000	12,915
Motor Vehicle Tax	19,825	21,589	19,946	1,643
Intergovernmental Receipts	155,710	155,710	155,710	
Franchise Tax	27,509	27,595	26,000	1,595
Licenses and Fees	5,217	5,444	5,000	444
Swimming Pool	8,064	9,234	8,500	734
Fines	3,066	6,947	3,500	3,447
Reimbursements and other	28,771	37,065	7,000	30,065
Transferred In	30,000	30,000	30,000	
Interest on Idle Funds	2,130	6,658	600	6,058
Total Cash Receipts	493,230	549,013	\$ 491,513	\$ 57,500
CASH DISBURSEMENTS:				
General Administration:				
Personnel Services	38,609	44,756	42,679	(2,077)
Contractual Services	30,781	42,171	30,000	(12,171)
Commodities	20,498	37,409	20,000	(17,409)
Miscellaneous	60	303		(303)
Capital Outlay		2,297	3,000	703
	89,948	126,936	95,679	(31,257)
Law Enforcement				
Personnel Services	55,530	47,286	49,436	2,150
Contractual Services	1,779	6,423	9,300	2,877
Commodities	14,697	15,709	11,000	(4,709)
Capital Outlay	9,433	9,663	9,500	(163)
	81,439	79,081	79,236	155
Street Lights				
Contractual Services	17,929	18,391	18,213	(178)
	17,929	18,391	18,213	(178)
Parks and Recreation				
Personnel Services				
Contractual Services	6,042	5,092	4,800	(292)
Commodities	27,584	20,874	21,312	438
	33,626	25,966	26,112	146
Infrastructure	76,769	155,710	155,710	
	76,769	155,710	155,710	
Swimming Pool				
Personnel Service	23,850	24,117	23,941	(176)
Contractual Service	2,955	2,955	2,000	(955)
Commodities	13,274	12,464	14,221	1,757
Commodities-concessions	1,938	2,052		(2,052)
Sales Tax	149	151	300	149
Capital Outlay			59,669	59,669
	42,166	41,739	100,131	58,392
Transfer Out	30,000	340,000	340,000	-
	30,000	340,000	340,000	-
Total Cash Disbursements	371,877	787,822	\$ 815,081	\$ 27,259
Receipts over Disbursements	121,353	(238,809)		
CASH, BEGINNING BALANCE	286,329	407,682		
CASH, ENDING BALANCE	\$ 407,682	\$ 168,873		

CITY OF LEBO, KANSAS

ECONOMIC DEVELOPMENT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2017

	2016	2017
CASH RECEIPTS:		
Loan Payments	\$ 38,930	\$ * 44,781
Interest Payments	6,951	7,857
Miscellaneous	<u>342</u>	<u>200</u>
Total Cash Receipts	46,223	52,838
CASH DISBURSEMENTS:		
Tourism	5,000	4,500
Contracual	39,079	
Economic Development Loan	<u>26,470</u>	<u>20,003</u>
Total Cash Disbursements	<u>70,549</u>	<u>24,503</u>
Receipts over (under) Disbursements	(24,326)	28,335
CASH, BEGINNING BALANCE	<u>65,430</u>	<u>41,104</u>
CASH, ENDING BALANCE	\$ <u><u>41,104</u></u>	\$ <u><u>69,439</u></u>

CITY OF LEBO, KANSAS

LAW ENFORCEMENT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET

YEAR ENDED DECEMBER 31, 2017

	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2017 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
County Tax	\$ <u>7,143</u>	\$ <u>7,154</u>	\$ <u>7,012</u>	\$ <u>142</u>
Total Cash Receipts	7,143	7,154	\$ <u><u>7,012</u></u>	\$ <u><u>142</u></u>
CASH DISBURSEMENTS:				
Capital Outlay	<u>13,502</u>	<u> </u>	<u>30,433</u>	<u>30,433</u>
Total Cash Disbursements	<u>13,502</u>	<u> </u>	\$ <u><u>30,433</u></u>	\$ <u><u>30,433</u></u>
Receipts over (under) Disbursements	(6,359)	7,154		
CASH, BEGINNING BALANCE	<u>16,454</u>	<u>10,095</u>		
CASH, ENDING BALANCE	\$ <u><u>10,095</u></u>	\$ <u><u>17,249</u></u>		

CITY OF LEBO, KANSAS

EMPLOYEE BENEFIT FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2017

	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2017 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Property and Vehicle Taxes	\$ <u>41,032</u>	\$ <u>29,764</u>	\$ <u>28,979</u>	\$ <u>785</u>
Total Cash Receipts	41,032	29,764	\$ <u><u>28,979</u></u>	\$ <u><u>785</u></u>
CASH DISBURSEMENTS:				
Employee Benefit	<u>46,199</u>	<u>36,212</u>	<u>43,719</u>	<u>7,507</u>
Total Cash Disbursements	<u>46,199</u>	<u>36,212</u>	\$ <u><u>43,719</u></u>	\$ <u><u>7,507</u></u>
Receipts under Disbursements	(5,167)	(6,448)		
CASH, BEGINNING BALANCE	<u>13,448</u>	<u>8,281</u>		
CASH, ENDING BALANCE	\$ <u><u>8,281</u></u>	\$ <u><u>1,833</u></u>		

CITY OF LEBO, KANSAS

SPECIAL HIGHWAY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2017

	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2017 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
State Tax	\$ <u>24,142</u>	\$ <u>24,225</u>	\$ <u>23,750</u>	\$ <u>475</u>
Total Cash Receipts	24,142	24,225	\$ <u><u>23,750</u></u>	\$ <u><u>475</u></u>
CASH DISBURSEMENTS:				
Personnel Services	12,225	12,822	12,000	(822)
Commodities	<u>11,056</u>	<u>7,616</u>	<u>12,392</u>	<u>4,776</u>
Total Cash Disbursements	<u>23,281</u>	<u>20,438</u>	\$ <u><u>24,392</u></u>	\$ <u><u>3,954</u></u>
Receipts under Disbursements	861	3,787		
CASH, BEGINNING BALANCE	<u>84</u>	<u>945</u>		
CASH, ENDING BALANCE	\$ <u><u>945</u></u>	\$ <u><u>4,732</u></u>		

CITY OF LEBO, KANSAS

SPECIAL LIABILITY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2017

	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2017 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Property and Vehicle Taxes	\$ <u>513</u>	\$ <u>1,805</u>	\$ <u>1,803</u>	\$ <u>2</u>
Total Cash Receipts	513.00	1,805	\$ <u><u>1,803</u></u>	\$ <u><u>2</u></u>
CASH DISBURSEMENTS:				
Contractual Services	<u>1,989</u>	<u>1,989</u>	\$ <u>2,088</u>	\$ <u>99</u>
Total Cash Disbursements	<u>1,989</u>	<u>1,989</u>	\$ <u><u>2,088</u></u>	\$ <u><u>99</u></u>
Receipts under Disbursements	(1,476)	(184)		
CASH, BEGINNING BALANCE	<u>1,827</u>	<u>351</u>		
CASH, ENDING BALANCE	\$ <u><u>351</u></u>	\$ <u><u>167</u></u>		

CITY OF LEBO, KANSAS

PARK AND RECREATION FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2017

	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2017 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Coffey County Receipt	\$ 37,868	\$ 37,868	\$ 37,868	\$
Miscellaneous	<u>1,355</u>	<u>1,750</u>		<u>1,750</u>
Total Cash Receipts	39,223	39,618	<u>\$ 37,868</u>	<u>\$ 1,750</u>
CASH DISBURSEMENTS:				
Personal Cost	5,688	5,489	\$ 5,400	\$ (89)
Contractual Service	5,160	5,575	10,000	4,425
Commodities	16,748	17,873	17,000	(873)
Capital Outlay	<u>16,360</u>	<u>9,007</u>	<u>10,000</u>	<u>993</u>
Total Cash Disbursements	<u>43,956</u>	<u>37,944</u>	<u>\$ 42,400</u>	<u>\$ 4,457</u>
Receipts over (under) Disbursements	(4,733)	1,674		
CASH, BEGINNING BALANCE	<u>23,428</u>	<u>18,695</u>		
CASH, ENDING BALANCE	<u>\$ 18,695</u>	<u>\$ 20,369</u>		

CITY OF LEBO, KANSAS

CAPITAL IMPROVEMENT RESERVE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2017

	2016	2017
CASH RECEIPTS:		
Transferred from General	\$ 30,000	\$ 325,000
Total Cash Receipts	<u>30,000</u>	<u>325,000</u>
CASH DISBURSEMENTS:		
Capital outlay		483,290
Total Cash Disbursements	<u>-</u>	<u>483,290</u>
Receipts over Disbursements	30,000	(158,290)
CASH, BEGINNING BALANCE	<u>192,521</u>	<u>222,521</u>
CASH, ENDING BALANCE	\$ <u><u>222,521</u></u>	\$ <u><u>64,231</u></u>

CITY OF LEBO, KANSAS

MUNICIPAL EQUIPMENT RESERVE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2017

	2016	2017
CASH RECEIPTS:		
Transferred from General	\$ _____	\$ <u>15,000</u>
Total Cash Receipts		15,000
CASH DISBURSEMENTS:		
Capital Outlay	<u>29,649</u>	<u> </u>
Total Cash Disbursements	29,649	
Receipts over Disbursements	(29,649)	15,000
CASH, BEGINNING BALANCE	<u>64,000</u>	<u>34,351</u>
CASH, ENDING BALANCE	\$ <u><u>34,351</u></u>	\$ <u><u>49,351</u></u>

CITY OF LEBO, KANSAS

GAS FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2017

	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2017 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Sales - Customers	\$ 181,739	\$ 196,054	\$ 250,000	\$ (53,946)
Sales Tax	2,613	2,732	3,700	(968)
Interest Income	453	45		45
Reimbursed Expenses and Other Income	<u>64</u>	<u>245</u>	<u></u>	<u>245</u>
Total Cash Receipts	184,869	199,076	<u>\$ 253,700</u>	<u>\$ (54,625)</u>
CASH DISBURSEMENTS:				
Personnel Services	60,408	63,626	\$ 67,604	\$ 3,978
Contractual Services	106,326	106,390	155,000	48,610
Commodities	15,443	18,186	12,000	(6,186)
Stored Gas Property Tax	17	24		(24)
Sales Tax and Other	2,784	2,755	4,154	1,399
Capital Outlay			15,000	15,000
Transfer	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total Cash Disbursements	<u>204,978</u>	<u>210,981</u>	<u>\$ 273,758</u>	<u>\$ 62,777</u>
Receipts under Disbursements	(20,109)	(11,905)		
CASH, BEGINNING BALANCE	<u>302,359</u>	<u>282,250</u>		
CASH, ENDING BALANCE	<u>\$ 282,250</u>	<u>\$ 270,345</u>		

CITY OF LEBO, KANSAS

WATER FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2017

	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2017 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Water Sales - Customer	\$ 221,342	\$ 220,460	\$ 225,000	\$ (4,540)
Sales tax	1,051	863	900	(37)
Reimbursed Expenses and Other Income	603	562	500	62
Interest on Idle Funds	<u>445</u>	<u>25</u>		<u>25</u>
Total Cash Receipts	223,441	221,910	<u>\$ 226,400</u>	<u>\$ (4,490)</u>
CASH DISBURSEMENTS:				
Personnel	66,768	62,444	\$ 69,119	\$ 6,675
Contractual Services	109,192	120,388	97,002	(23,386)
Commodities	15,221	14,514	13,896	(618)
Debt Service	23,984	25,346	25,346	
Other	3,409	3,293	2,055	(1,238)
Capital Outlay	<u></u>	<u></u>	<u>20,000</u>	<u>20,000</u>
Total Cash Disbursements	<u>218,574</u>	<u>225,985</u>	<u>\$ 227,418</u>	<u>\$ 1,433</u>
Receipts over Disbursements	4,867	(4,075)		
CASH, BEGINNING BALANCE	<u>176,290</u>	<u>181,157</u>		
CASH, ENDING BALANCE	<u>\$ 181,157</u>	<u>\$ 177,082</u>		

CITY OF LEBO, KANSAS

SEWER FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2017

	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2017 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Sales - Customers	\$ 85,142	\$ 83,710	\$ 84,000	\$ (290)
Special Assessments	<u>956</u>	<u>956</u>	<u>956</u>	
Total Cash Receipts	86,528	84,666	<u>\$ 84,956</u>	<u>\$ (290)</u>
CASH DISBURSEMENTS:				
Personnel Services	33,971	29,836	\$ 29,786	\$ (50)
Contractual Services	9,129	11,628	10,500	(1,128)
Commodities	11,268	13,060	15,000	1,940
Debt Service	31,397	31,397	31,397	
Transfer to General	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total Cash Disbursements	<u>95,765</u>	<u>95,921</u>	<u>\$ 96,683</u>	<u>\$ 762</u>
Receipts under Disbursements	(9,237)	(11,255)		
CASH, BEGINNING BALANCE	<u>175,105</u>	<u>165,868</u>		
CASH, ENDING BALANCE	<u>\$ 165,868</u>	<u>\$ 154,613</u>		

CITY OF LEBO, KANSAS

SOLID WASTE FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET YEAR ENDED DECEMBER 31, 2017

	<u>2016 Actual</u>	<u>2017 Actual</u>	<u>2017 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
CASH RECEIPTS:				
Sales - Customers	\$ <u>64,770</u>	\$ <u>64,703</u>	\$ <u>64,000</u>	\$ <u>703</u>
Total Cash Receipts	64,770	64,703	\$ <u><u>64,000</u></u>	\$ <u><u>703</u></u>
CASH DISBURSEMENTS:				
Contractual Services	<u>61,888</u>	<u>61,888</u>	\$ <u>61,888</u>	\$ <u>-</u>
Total Cash Disbursements	<u>61,888</u>	<u>61,888</u>	\$ <u><u>61,888</u></u>	\$ <u><u>-</u></u>
Receipts over Disbursements	2,882	2,815		
CASH, BEGINNING BALANCE	<u>11,843</u>	<u>14,725</u>		
CASH, ENDING BALANCE	\$ <u><u>14,725</u></u>	\$ <u><u>17,540</u></u>		

CITY OF LEBO, KANSAS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of Presentation - Fund Accounting - The accounts of the City of Lebo, Kansas are organized on the basis of funds, each of which is considered a separate accounting entity.

The following types of funds comprise the financial activities of the City for 2017.

Governmental funds:

General fund - to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds - to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Debt service funds - to account for the payment of interest and principal on long-term general debt obligation.

Proprietary funds:

Enterprise funds - to account for operations that are financed and operated in a manner similar to business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- b. Basis of Accounting - These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The municipality has approved a resolution to prepare the financial statements on a cash basis.

- c. Departure from Generally Accepted Accounting Principles - The basis of accounting described above results in a financial statement presentation that shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets, such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance, are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end did not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not

presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

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

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the Budget on or before August 5.
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 for the year ended December 31, 2017.

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

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements 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. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds.

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.

- e. Comparative Amounts - The amounts shown for the year ended December 31, 2016 in the accompanying financial statements are included to provide a basis for comparison with 2017 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

2. DEPOSITS

At December 31, 2017 the carrying amounts of the City's deposits were \$1,015,804 and the bank balances were \$1,035,243. The differences between the carrying amount and the bank balances are outstanding checks and deposits in transit. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

3. TAXES

Property Taxes – The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the following year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property taxes is due December 20, prior to the fiscal year for which they are budgeted, and second half is due the following May 10.

Motor Vehicle Taxes – Since 1981 most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax. In 1995, the legislature enacted a five-year phase down in the assessment rate on motor vehicles for 30% to 20% of market value.

In 2017, the City received the following from county and state taxes:

	General Fund	Law Enforcement	City Special Liability	Special Highway Fund	Employee Benefit Fund	Totals
Property Taxes	\$ 143,856	\$ 5,975	\$ 1,721	\$	\$ 23,037	\$ 174,589
Motor Vehicle Taxes	21,589	1,179	84		6,727	29,579
Sales Taxes	104,915					104,915
State Highway Aid				24,225		24,225
	<u>\$ 270,360</u>	<u>\$ 7,154</u>	<u>\$ 1,805</u>	<u>\$ 24,225</u>	<u>\$ 29,764</u>	<u>\$ 333,308</u>

The mill levies are as follows:

	2017	2016
General Fund	<u>36.886</u>	<u>31.506</u>

The assessed valuation for 2017 was \$4,708,780 and \$4,724,702 in 2016.

4. UTILITIES

The City provides water, sewer, gas and trash services. The City mails their utility bills between the 23rd and the 25th of each month. The utility bills are due by the 1st of the following month. Bills not paid by the 10th are subject to a late charge fee of 10%. If service is disconnected the customer shall pay said bill and penalty and further service charge in the sum of \$50 before turning the water back on.

The water rates were increased in August 2017 as follows:

Inside City (residential):

0-1,000 gallons	\$ 20.00
All above 1,000 gallons	\$ 9.25 per 1,000 gallons
Minimum bill	\$ 20.00

Outside City and Commercial:

0-1,000 gallons	\$ 30.00
All above 1,000 gallons	\$ 10.00 per 1,000 gallons
Minimum bill	\$ 30.00

Wholesale

0 - 10,000	\$ 9.00 per 1,000 gallons
11,000 - 100,000	\$ 8.25 per 1,000 gallons
101,000 - 250,000	\$ 7.25 per 1,000 gallons
all above 250,000	\$ 6.25 per 1,000 gallons

Any person making application for water service is required to make a deposit of \$75.

The sewer rates for 2017 are as follows:

\$15 for the first 1,000 gallons and \$.70 for each additional 1,000 gallons.

The trash rates for 2017 are as follows:

\$13.25 per month for residential solid waste removal.

The gas rates for 2017 are as follows:

\$5.89 per 1,000 cubic feet over the cost of gas per 1,000 MMBTU and the transportation charges per month.

Any person making application for gas service is required to make a deposit of \$200.

5. LONG-TERM DEBT

The City's long-term debt is comprised of two loans from Kansas Department of Health.

Kansas Water Pollution Control Revolving Fund

In July 2005, the City entered into a 20-year loan agreement with Kansas Department of Health and Environment for the construction of a sewer main extension. The total cost of the project was \$467,079.

The amount of the loan is up to \$467,079 (\$208,994 and \$233,434 outstanding at December 31, 2017 and 2016, respectively) bearing interest at a rate of 2.81%, principal and interest payments made on a semi-annual basis beginning one year after the completion of the project.

Changes in Kansas Water Pollution Control Revolving Fund:

Beginning Balance	\$ 233,434
Payments	<u>24,440</u>
Ending Balance	\$ <u>208,994</u>
Interest Payments	\$ <u>6,967</u>
Total Payments	\$ <u>31,407</u>

Payments subsequent to 2017:

	Principal	Interest	Total
2018	\$ 25,193	\$ 6,205	\$ 31,398
2019	25,970	5,428	31,398
2020	26,771	4,627	31,398
2021	27,596	3,802	31,398
2022	28,447	2,951	31,398
2023	29,324	2,074	31,398
2024	30,229	1,169	31,398
2025	<u>15,464</u>	<u>236</u>	<u>15,700</u>
	\$ <u>208,994</u>	\$ <u>26,492</u>	\$ <u>235,486</u>

Kansas Water Supply Revolving Fund

In December 2012, the City entered into a 20-year loan agreement with Kansas Department of Health and Environment for the replacement of approximately 7,000 feet of aging asbestos cement waterlines with PVC waterlines and install an altitude valve on the elevated storage tank. The total cost of the project was estimated at \$406,496.

The amount of the loan is up to \$409,864 (\$359,028 and \$376,339 outstanding at December 31, 2017 and 2016, respectively) bearing interest at a rate of 2.16%, principal and interest payments made on a semi-annual basis beginning February 1, 2015.

Changes in Kansas Water Pollution Control Revolving Fund:

Beginning Balance	\$ 376,339
Payments	<u>17,311</u>
Ending Balance	\$ <u>359,028</u>
Interest Payments	\$ <u>8,036</u>
Total Payments	\$ <u>25,347</u>

Payments subsequent to 2017:

	Principal	Interest	Total
2018	\$ 17,686	\$ 7,660	\$ 25,346
2019	18,070	7,276	25,346
2020	18,463	6,883	25,346
2021	18,864	6,482	25,346
2022	19,273	6,073	25,346
2023	19,692	5,654	25,346
2024	20,119	5,227	25,346
2025	20,556	4,790	25,346
2026	21,003	4,343	25,346
2027	21,459	3,887	25,346
2028	21,925	3,421	25,346
2029	22,401	2,945	25,346
2030	22,888	2,458	25,346
2031	23,385	1,961	25,346
2032	23,892	1,454	25,346
2033	24,411	935	25,346
2034	<u>24,943</u>	<u>403</u>	<u>25,346</u>
	\$ <u>359,028</u>	\$ <u>71,851</u>	\$ <u>430,880</u>

6. CONTRACTS

In 1994, the City entered into a 40-year agreement with Public Wholesale District No. 12, (District) to buy a minimum amount of 3,000,000 gallons per month. The City is to pay the District \$3.42 per 1,000 gallons purchased. Starting January 2006, the rate per 1,000 increased to \$3.45. In December 2007 there was another amendment to the contract when the City of Lebo annexed customers of Coffey County RWD #3 that were within the District's territory. In December 2012 the contract was amended to reduce the minimum to 1,750,000 gallons per month, and the maximum to 3,500,000 per month. The District increased the water rate from \$3.75 to \$4.00 in 2013. The District increased the rate to \$4.50 per 1,000 gallons in September 2017. In 2017 and 2016, respectively, the City purchased 19,918,000 and 21,000,000 gallons from the Public Wholesale District.

In January 2012, the City entered into a ten-year contract with the Kansas Department of Wildlife. In the contract, the City agrees to allow public fishing access on certain tracts of water and the Department of Wildlife will pay the City \$4,075, annually.

The City has contracted with Maguire Iron Co, Inc. to provide maintenance on the 100,000 gallon water towers and 50,000 gallon water towers for nine years. The City's contract began in 2013 and will be payable every other year in the amount of \$1,550 and \$1,350, respectively.

In October 2013, the City (lessor) entered into a lease agreement with Amber Miller-Barrett and Cody Barrett (lessee) to lease a commercial building for \$100 annually for five years with an option to purchase at the end of the lease term.

In January 2016, the City entered into a two year contract with USDI to inspect and maintain the gas system annually. The City will pay \$4,920 annually.

In February 2016, the City entered in to a two year contract with USDI to complete paperwork and reports related to the gas system. The City will pay \$4,980 annually.

In April 2017 the City entered into a one-year contract with Steve's Trash to collect and dispose of solid waste inside the corporate City limits for \$12.75 per customer, per month.

In March 2015, the City (lessor) entered into a lease agreement with Troy Friend, (lessee) to lease a metal building for \$100 annually. The term of the lease is one year with the option to renew for an additional year.

In September 2016 the City entered into a contract with Encore Energy Services, Inc to provide natural gas to the residents of the City. The City will pay \$3.20 per MMBtu plus transportation, fuel charge and gas loss.

In June 2016 the City entered into an agreement with BG Consultants, Inc for the design and preparation of construction plans for Phase 1 of the Downtown Streetscape Improvement Project. The City will pay a total \$115,000 for the services as the project progresses.

7. COMPENSATED ABSENCES FOR EMPLOYEES

Full time employees of the City will be eligible for vacation and sick leave after six months of service. Eligible employees shall take at least 6 vacation days each year. An employee may carry-over vacation days to the next year, with a maximum carry-over amount allowance of 30 days.

<u>Years of Service</u>	<u>Per year</u>
0-9 years	1 day per month
10-19 years	1 ½ day per month
After 19	2 days per month

Full time employees will receive a maximum of 2 weeks (10 working days) paid sick leave per year. Sick leave is cumulative up to a maximum of 480 hours. On termination an employee will receive one sixth (1/6) a maximum of 80 hours accrued sick leave paid. At December 31, 2017 City employees had a combined balance of 1,300 hours of sick leave, a cash value of \$24,285 and a balance of 972 hours of vacation leave, a cash value of \$18,332.

8. CONCENTRATIONS OF CREDIT RISK

The City is engaged in the sale of water, sewer, gas and trash to customers located in Coffey County in Kansas. The City grants credit to those customers and requires no collateral.

9. CAPITAL PROJECTS

The City spent the following on capital items in 2017:

Field upgrades	\$ 9,007
Camera & computer for police	7,218
Community building purchase	75,000
City Hall & Police Department	89,742
Streetscape project	474,050
	<u>\$ 655,017</u>

10. COMPLIANCE WITH KANSAS LAW

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the City. There were no apparent statutory violations during the year ended December 31, 2017 for the funds that were part of this audit.

11. RELATED PARTY

The city was not aware of any related party transactions during the year of 2017.

12. PENSION PLAN

The City has five employees that participate in the Kansas Public Employees Retirement System (System), a multiple employer public employee retirement system. The payroll for the employees covered by the System for 2017 and 2016 was \$194,463 and \$194,474, respectively and the City's total payroll for 2017 and 2016 was \$267,701 and \$273,808.

Covered employees are required by state statute to contribute 6% of their salary to the System. The City is required by statute to contribute 8.46% and 9.18% for 2017 and 2016 using the full funding method. The contribution requirement for the year ended December 31, 2017 and 2016 was \$28,120 and \$29,521, which consisted of \$11,668 and \$11,668 from the employee, and \$16,452 and \$17,853 from the City. The City also contributed \$485 for insurance.

13. INFRASTRUCTURE

The City has elected not to comply with Governmental Accounting Standard No. 34 (GASB 34) regarding the capitalization and tracking of infrastructure or capital assets.

14. RISK MANAGEMENT

The City is exposed to various risks of loss to torts, theft of, damage to, and destruction of assets, job-related injuries and illnesses to employees. To insure against the various risks, the City has obtained various insurance coverage through EMC Insurance Companies. See Schedule of Insurance for details.

15. ADEQUACY OF UTILITY RATES

To determine whether the city was charging adequate rates for sewer, trash, water, and gas we calculated the operating ratio and debt service ratio as applicable. The target minimum for both of these ratios is 1.20 and 1.25 respectively.

The Operating Ratio for the following funds is as follows:

	Water	Gas	Sewer	Trash
Operating Revenues	\$ 221,910	\$ 198,831	\$ 83,710	\$ 64,703
Operating Expenses	<u>\$ 200,639</u>	<u>\$ 190,981</u>	<u>\$ 54,524</u>	<u>\$ 61,888</u>
Operating Ratio	<u>1.11</u>	<u>1.04</u>	<u>1.54</u>	<u>1.05</u>

The Debt Service Ratio for the Sewer Fund is as follows:

Debt Service	Sewer Fund	Water Fund
Net Receipts	\$ (11,255)	\$ (4,075)
Add Back:		
Debt Service	31,397	25,346
Transfer Out	<u>10,000</u>	<u></u>
Available for debt service	\$ <u>30,142</u>	\$ <u>21,271</u>
Debt service	\$ <u>31,397</u>	\$ <u>25,347</u>
Debt Service Ratio	<u>0.96</u>	<u>0.84</u>

16. COMMITMENTS AND CONTINGENCIES

The City is not involved in any litigation.

17. TRANSFERS

	From	To
General Fund	340,000	30,000
Gas Fund	20,000	
Capital Improvement Fund		325,000
Sewer Fund	10,000	
Municipal Equip Reserve Fund		15,000
Total	<u>370,000</u>	<u>370,000</u>

18. SUBSEQUENT EVENTS

In preparing the financial statements, and according to ASC 855, Subsequent Events, the District has evaluated events and transactions for potential recognition or disclosure through April 2, 2018, the date the financial statements were available to be issued. Except as stated in Note No. 6, there are no additional events or transactions that require adjustment to or disclosure in these financial statements.

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CITY OF LEBO, KANSAS

SCHEDULE OF SELECTED UTILITY STATISTICS YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
WATER STATISTICS:		
Number of customers	443	432
Gallons sold	18,187,600	18,446,400
Gallons purchased	19,918,000	20,044,000
Water loss percentage	8.69%	7.97%
Average monthly usage per customer	3,421	3,558
Charges for service	\$ 220,460	\$ 221,342
Average customer charge per month	\$ 41.46	\$ 42.69

CITY OF LEBO, KANSAS

SCHEDULE OF OTHER STATISTICS YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Population	940	940
Assessed Valuation	\$ 4,708,780	\$ 4,724,702
Mill Levy	36.886	31.506
Total Receipts	\$ 1,244,770	\$ 1,181,114
Total Disbursements	\$ 1,616,972	\$ 1,122,207
Indebtedness	\$ 568,022	\$ 609,773
Receipts per Capita	\$ 1,324	\$ 1,257
Disbursements per Capita	\$ 1,720	\$ 1,194
Bond Indebtedness per Capita	\$ 604	\$ 649