

CITY OF ELK CITY, KANSAS

Independent Auditors' Report and
Financial Statement with
Supplementary Information

For the Year Ended December 31, 2018

CITY OF ELK CITY, KANSAS

December 31, 2018

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Elk City, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Elk City, Kansas, as of and for the year ended December 31, 2018 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 entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 Elk City, Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Elk City, Kansas as of December 31, 2018, or changes in financial position and cash flows thereof for the year then ended.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the December 31, 2017 financial statement have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 Elk City, Kansas as of December 31, 2018, 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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

March 6, 2020
Chanute, Kansas

CITY OF ELK CITY, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2018

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Cash Balance December 31, 2018
General Fund	\$ 2,913.89	\$ 76,433.10	\$ 63,729.96	\$ 15,617.03	\$ 2,770.01	\$ 18,387.04
Special Purpose Funds:						
Special Highway	17,665.97	10,419.20	13,418.97	14,666.20	265.34	14,931.54
Employee Benefits	-	-	-	-	-	-
Special Fire	54,305.13	921.10	-	55,226.23	-	55,226.23
Special Tort Liability	611.55	114.35	725.90	-	-	-
Capital Project Funds:						
Water Project	357,822.34	-	35,187.50	322,634.84	-	322,634.84
Business Funds:						
Water Utility	169,977.63	99,409.16	188,062.59	81,324.20	48,833.49	130,157.69
Water Utility Surplus	27,332.62	459.06	-	27,791.68	-	27,791.68
Sewer Utility	30,781.82	30,363.52	24,184.13	36,961.21	243.00	37,204.21
Solid Waste Utility	26,808.75	27,907.00	23,794.17	30,921.58	-	30,921.58
Total Reporting Entity	\$ 688,219.70	\$ 246,026.49	\$ 349,103.22	\$ 585,142.97	\$ 52,111.84	\$ 637,254.81
Composition of Cash:						
Cash on Hand.....						\$ 106.50
Operating Checking.....						144,975.42
Water Project Checking.....						322,634.84
KPERS Checking.....						583.35
Firefighters Relief Checking.....						8,496.44
Investments						
Certificates of Deposit.....						168,954.70
Total Cash						645,751.25
Agency Funds per Schedule 3						(8,496.44)
Total Reporting Entity (Excluding Agency Funds)						\$ 637,254.81

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

CITY OF ELK CITY, KANSAS

Notes to Financial Statement
December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedule of the City of Elk City, 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 accounting policies generally accepted in the United States of America.

Financial Reporting Entity

The City of Elk City, Kansas, is a municipal corporation governed by an elected five-member council.

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).

The City has determined that no outside agency meets the above criteria and, therefore, no outside agency has been include as a related municipal entity in this financial statement.

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 Elk City, Kansas, for the year of 2018:

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

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

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

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

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 accounts, etc.).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures 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.

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 cash receipts. In the financial statement and budget schedule 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.

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 a calendar year basis and become a lien on the property on November 1 of each year. The county treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half of 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 1 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.

Pension Plan

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System, which is 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 for this year.

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

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, 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 projects funds and trust 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.

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 1, the City was in compliance with the cash basis laws of Kansas. As shown in Schedule 1, the City is in apparent violation of K.S.A. 79-2935 as the City has obligated expenditures in excess of budgetd limits in the Special Tort Fund and the Water Utility Fund.

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. The City has no other policies that would further limit interest rate risk.

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

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

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.

Deposits: At year-end the carrying amount of the City's deposits was \$645,644.75 and the bank balance was \$648,632.11. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$500,000.00 was covered by the Federal Deposit Insurance Corporation (FDIC) insurance and the remaining \$148,632.11 was covered by a letter of credit with Federal Home Loan Bank of Topeka through First Oak Bank.

4. CAPITAL PROJECTS

At year end, capital projects authorizations, with approved change orders, compared with expenditures from inception are as follows:

<u>PROJECT NAME</u>	<u>EXPENDITURES TO DATE</u>	<u>PROJECT AUTHORIZATION</u>	<u>COMPLETION DATE</u>
Water Project	\$ 137,370.16	\$ 460,000.00	2022

5. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2018, 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
GO Temporary Notes: Paid with Utility Receipts Series 2017	2.00%	June 27, 2017	\$ 460,000.00	July 1, 2020	\$ 460,000.00	\$ -	\$ -	\$ 460,000.00	\$ 9,200.00
Total Contractual Indebtedness					\$ 460,000.00	\$ -	\$ -	\$ 460,000.00	\$ 9,200.00

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

Issue	2019	2020	Total
Principal			
GO Temporary Notes: Paid with Utility Receipts Series 2017	\$ -	\$ 460,000.00	\$ 460,000.00
Total Principal Payments	-	460,000.00	460,000.00
Interest			
GO Temporary Notes: Paid with Utility Receipts Series 2017	9,200.00	9,200.00	18,400.00
Total Interest Payments	9,200.00	9,200.00	18,400.00
Total Principal and Interest	\$ 9,200.00	\$ 469,200.00	\$ 478,400.00

6. DEFINED BENEFIT PENSION PLAN

Plan description. The City of Elk City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publically 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 (for the Death and Disability Program) and the statutory contribution rate was 8.39% for the fiscal year ended December 31, 2018. Contributions to the pension plan from City of Elk City were \$7,346.05 for the year ended December 31, 2018.

Net Pension Liability

At December 31, 2018, the City of Elk City's proportionate share of the collective net pension liability reported by KPERS was \$58,163.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The City of Elk City's proportion of the net pension liability was based on the ratio of the City of Elk City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Death and Disability Other Post-Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2018.

Compensated Absences

Regular employees earn and accumulate vacation leave as follows:

After One Full Year of Employment – 40 hours
After Five Full Years of Employment – 80 hours
After Ten Full Years of Employment – 120 hours

Vacation is not earned for partial years worked. Employees must use vacation time in the year earned, as carryover is not allowed. Unused vacation time is sold back to the city at the end of the year. Upon resignation, quitting, termination, or lay-off, all earned vacation time will be paid to the employee.

Regular employees earn and accumulate sick leave from the beginning of employment at the rate of three days per six months worked and earn personal days at the rate of two days per six months worked. Employee must use these days in the year earned, as carryover is not allowed. Unused sick/personal time is sold back to the city at the end of the year. Upon resignation, quitting, termination, or lay-off, all earned sick/personal time will be paid to the employee.

8. 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.

9. INTERFUND TRANSFERS

Residual transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority:</u>	<u>Amount:</u>
Special Tort	General	K.S.A. 12-2615	\$725.90

10. PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2018 it was discovered 2017 bills paid in January 2018 were not properly recorded as payables in accordance with Kansas regulatory cash basis of accounting. Beginning unencumbered cash has been reduced by \$7,469.70.

11. SUBSEQUENT EVENTS

There were no subsequent events requiring recognition in the financial statement. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

CITY OF ELK CITY, KANSAS

Summary of Expenditures - Actual and Budget
 (Budgeted Funds Only)
 Regulatory Basis
 For the Year Ended December 31, 2018

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures		Variance - Over (Under)
				Chargeable to Current Year		
General Fund	\$ 75,230.00	\$ -	\$ 75,230.00	\$ 63,729.96	\$	(11,500.04)
Special Purpose Funds:						
Special Highway	20,619.00	-	20,619.00	13,418.97		(7,200.03)
Employee Benefits	2,800.00	-	2,800.00	-		(2,800.00)
Special Fire	3,565.00	-	3,565.00	-		(3,565.00)
Special Tort Liability	392.00	-	392.00	725.90		333.90
Business Funds:						
Water Utility	159,250.00	-	159,250.00	188,062.59		28,812.59
Sewer Utility	27,000.00	-	27,000.00	24,184.13		(2,815.87)
Solid Waste Utility	29,000.00	-	29,000.00	23,794.17		(5,205.83)

CITY OF ELK CITY, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipts			
Ad Valorem Property Tax	\$ 37,981.84	\$ 46,524.00	\$ (8,542.16)
Delinquent Tax	7,748.31	1,000.00	6,748.31
Motor Vehicle Tax	11,140.46	11,390.00	(249.54)
Recreational Vehicle Tax	301.79	168.00	133.79
16/20M Vehicle Tax	16.72	38.00	(21.28)
Special Assessments	1,725.00	-	1,725.00
Franchise Tax	12,265.85	9,000.00	3,265.85
Alcoholic Liquor Tax	105.89	-	105.89
Licenses and Fees	425.00	1,000.00	(575.00)
Use of Money and Property			
Interest Income	352.39	-	352.39
Other Receipts			
Reimbursed Expense	3,643.95	-	3,643.95
Operating Transfer from			
Water Utility Fund	-	6,000.00	(6,000.00)
Residual Transfer from			
Special Tort Fund	725.90	-	725.90
Total Receipts	76,433.10	\$ 75,120.00	\$ 1,313.10
Expenditures			
General Administration			
Personal Services	25,528.05	\$ 35,230.00	\$ (9,701.95)
Contractual Services	27,603.64	25,000.00	2,603.64
Commodities	4,551.06	12,000.00	(7,448.94)
Capital Outlay	5,184.69	-	5,184.69
Parks			
Contractual Services	507.56	2,000.00	(1,492.44)
Fire Department			
Contractual Services	354.96	1,000.00	(645.04)
Total Expenditures	63,729.96	\$ 75,230.00	\$ (11,500.04)
Receipts Over(Under) Expenditures	12,703.14		
Unencumbered Cash, Beginning	2,913.89		
Unencumbered Cash, Ending	\$ 15,617.03		

CITY OF ELK CITY, KANSAS
SPECIAL HIGHWAY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2018

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipts			
Special Highway Tax	\$ 8,027.69	\$ 8,360.00	\$ (332.31)
County Special Highway	1,488.50	1,330.00	158.50
Other Receipts			
Reimbursed Expense	903.01	-	903.01
Total Receipts	10,419.20	\$ 9,690.00	\$ 729.20
Expenditures			
Highways and Streets			
Personal Services	2,165.15	\$ -	\$ 2,165.15
Contractual	4,046.85	20,619.00	(16,572.15)
Commodities	5,707.11	-	5,707.11
Capital Outlay	1,499.86	-	1,499.86
Total Expenditures	13,418.97	\$ 20,619.00	\$ (7,200.03)
Receipts Over(Under) Expenditures	(2,999.77)		
Unencumbered Cash, Beginning	17,665.97		
Unencumbered Cash, Ending	\$ 14,666.20		

CITY OF ELK CITY, KANSAS
EMPLOYEE BENEFITS FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipts			
Motor Vehicle Tax	\$ -	\$ 16.00	\$ (16.00)
Total Receipts	-	\$ 16.00	\$ (16.00)
Expenditures			
Employee Benefits			
Contractual Services	-	\$ 2,800.00	\$ (2,800.00)
Total Expenditures	-	\$ 2,800.00	\$ (2,800.00)
Receipts Over(Under) Expenditures	-		
Unencumbered Cash, Beginning	-		
Unencumbered Cash, Ending	\$ -		

CITY OF ELK CITY, KANSAS
SPECIAL FIRE FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2018

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipts			
Ad Valorem Property Tax	\$ 563.06	\$ -	\$ 563.06
Delinquent Tax	118.12	-	118.12
Motor Vehicle Tax	199.42	170.00	29.42
Recreational Vehicle Tax	4.91	2.00	2.91
16/20M Vehicle Tax	0.57	1.00	(0.43)
Use of Money and Property			
Interest Income	29.36	-	29.36
Other Receipts			
Reimbursed Expenses	5.66	-	5.66
Total Receipts	921.10	\$ 173.00	\$ 748.10
Expenditures			
Capital Improvements			
Contractual Services	-	\$ 3,565.00	\$ (3,565.00)
Commodities	-	-	-
Total Expenditures	-	\$ 3,565.00	\$ (3,565.00)
Receipts Over(Under) Expenditures	921.10		
Unencumbered Cash, Beginning	54,305.13		
Unencumbered Cash, Ending	\$ 55,226.23		

CITY OF ELK CITY, KANSAS
SPECIAL TORT FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018

	Current Year		Variance -
	Actual	Budget	Over (Under)
Receipts			
Use of Money and Property			
Interest Income	\$ 114.35	\$ -	\$ 114.35
Total Receipts	114.35	\$ -	\$ 114.35
Expenditures			
Tort Claims			
Contractual Services	-	\$ 392.00	\$ (392.00)
Residual Transfer to:			
General Fund	725.90	-	725.90
Total Expenditures	725.90	\$ 392.00	\$ 333.90
Receipts Over(Under) Expenditures	(611.55)		
Unencumbered Cash, Beginning	611.55		
Unencumbered Cash, Ending	\$ -		

CITY OF ELK CITY, KANSAS
WATER PROJECT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2018

	Current Year Actual
Receipts	
Use of Money and Property	
Bond Proceeds	\$ -
Total Receipts	-
Expenditures	
Capital Improvements	
Capital Outlay	35,187.50
Total Expenditures	35,187.50
Receipts Over(Under) Expenditures	(35,187.50)
Unencumbered Cash, Beginning	357,822.34
Unencumbered Cash, Ending	\$ 322,634.84

CITY OF ELK CITY, KANSAS
WATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Operating Receipts			
Water Sales	\$ 86,865.66	\$ 95,000.00	\$ (8,134.34)
Bulk Water Sales	152.75	-	152.75
Use of Money and Property			
Interest Income	547.47	-	547.47
Other Receipts			
Reimbursed Expense	11,843.28	-	11,843.28
Total Receipts	99,409.16	\$ 95,000.00	\$ 4,409.16
Expenditures			
Operations			
Personal Services	49,618.47	\$ 60,000.00	\$ (10,381.53)
Contractual Services	29,819.04	25,000.00	4,819.04
Commodities	11,403.70	50,000.00	(38,596.30)
Capital Outlay	88,021.38	-	88,021.38
Debt Service			
Principal	-	6,000.00	(6,000.00)
Interest	9,200.00	18,250.00	(9,050.00)
Total Expenditures	188,062.59	\$ 159,250.00	\$ 28,812.59
Receipts Over(Under) Expenditures	(88,653.43)		
Unencumbered Cash, Beginning	169,977.63		
Unencumbered Cash, Ending	\$ 81,324.20		

CITY OF ELK CITY, KANSAS
WATER UTILITY SURPLUS FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2018

	Current Year Actual
Receipts	
Use of Money and Property	
Interest Income	\$ 459.06
Total Receipts	459.06
Expenditures	
Capital Improvements	
Capital Outlay	-
Total Expenditures	-
Receipts Over(Under) Expenditures	459.06
Unencumbered Cash, Beginning	27,332.62
Unencumbered Cash, Ending	\$ 27,791.68

CITY OF ELK CITY, KANSAS
SEWER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Operating Receipts			
User Fees	\$ 30,241.00	\$ 24,000.00	\$ 6,241.00
Other Receipts			
Reimbursed Expense	122.52	-	122.52
Total Receipts	<u>30,363.52</u>	<u>\$ 24,000.00</u>	<u>\$ 6,363.52</u>
Expenditures			
Operations			
Personal Services	15,270.41	\$ 14,000.00	\$ 1,270.41
Contractual Services	4,999.88	5,000.00	(0.12)
Commodities	2,293.94	3,000.00	(706.06)
Capital Outlay	1,619.90	5,000.00	(3,380.10)
Total Expenditures	<u>24,184.13</u>	<u>\$ 27,000.00</u>	<u>\$ (2,815.87)</u>
Receipts Over(Under) Expenditures	6,179.39		
Unencumbered Cash, Beginning	<u>30,781.82</u>		
Unencumbered Cash, Ending	<u>\$ 36,961.21</u>		

CITY OF ELK CITY, KANSAS
SOLID WASTE UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Operating Receipts			
User Fees	\$ 27,907.00	\$ 24,000.00	\$ 3,907.00
Total Receipts	27,907.00	\$ 24,000.00	\$ 3,907.00
Expenditures			
Operations			
Personal	76.63	\$ -	\$ 76.63
Contractual Services	23,282.56	29,000.00	(5,717.44)
Capital Outlay	434.98	-	434.98
Total Expenditures	23,794.17	\$ 29,000.00	\$ (5,205.83)
Receipts Over(Under) Expenditures	4,112.83		
Unencumbered Cash, Beginning	26,808.75		
Unencumbered Cash, Ending	\$ 30,921.58		

CITY OF ELK CITY, KANSAS
AGENCY FUNDS
Schedule of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2018

Funds	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Fire Fighter Relief	\$ 8,736.44	\$ 24.29	\$ 264.29	\$ 8,496.44
	<u>\$ 8,736.44</u>	<u>\$ 24.29</u>	<u>\$ 264.29</u>	<u>\$ 8,496.44</u>



The Honorable Mayor and City Council
City of Elk City, Kansas

In planning and performing our audit of the financial statement of City of Elk City, Kansas as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered City of Elk City'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 the City of Elk City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Elk City'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.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in City of Elk City's internal control to be material weaknesses:

Preparation of Financial Statement

Accounting standards states the client must be able to accept responsibility and be able to identify a material misstatement when reviewing the financial statement, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the City staff does not have the ability to process and prepare the required financial statement, including footnotes. The potential effects of this material weakness could be unrecognized errors on the financial statement. While we recognize that this condition is not unusual for a City your size, it is important that you be aware of this condition for financial reporting purposes. Management and the City Council should continually be aware of the financial reporting of the City and changes in reporting requirements.

Jarred, Gilmore & Phillips, PA
CERTIFIED PUBLIC ACCOUNTANTS

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Segregation of Duties

Due to the small staff size of the City, weakness in internal controls results from the City personnel performing billings, receipting cash, making deposits, and having access to all books and records of the City.

While there are limitations on procedures that can be changed due to staff size, we believe the lack of controls should be reported to you. We would remind the City staff and City Council members responsible for approval of vouchers and the signing of checks to be diligent in your responsibilities. All disbursements approved should have original invoices attached and should be thoroughly reviewed before approval. The invoices attached to a check should add up in total to the check being written.

We would also encourage the City Council to monitor the balance of utility accounts receivable at each month's end in comparison with the totals billed each month. This can be accomplished by reviewing and approving the reports generated from the City's utility software. We are looking for the following type of reconciliation to be done by the City:

Billings for the Month	\$ _____
Add: Beginning of the Month	
Accounts Receivable	_____
Subtract: End of the Month	
Accounts Receivable	_____
Adjustments *	_____
Write- Offs *	_____
 Equals Cash Collected for Month	 \$ _____

* Needs review and approval by City Council.

Total cash collections per this reconciliation should tie with cash receipts reported to you in the utility financial statements. Computerized ledgers of each of the above should be kept and reviewed by the City Council monthly and available for review by the auditors. These reports could be kept electronically if so desired.

Daily Deposits

During our testing of customers utility payments, it was discovered not enough detail is being kept with the daily deposit. We would also recommend the daily cash receipts ledger be printed from the utility billing software and demonstrate how it ties with the daily deposit, that way you can demonstrate the payment was deposited if there is ever a dispute to payment.

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



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
March 6, 2020