CITY OF CHEROKEE, KANSAS

Independent Auditor's Report
and Financial Statement
with Supplementary Information

For the Year Ended December 31, 2023

CITY OF CHEROKEE, KANSAS
For the Year Ended December 31, 2023

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Cherokee, Kansas

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Cherokee, Kansas, as of and for the year ended December 31, 2023 and the related notes to the financial statement.

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 and Unmodified Opinions section of our report, the accompanying 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 Cherokee as of December 31, 2023, 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 accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Cherokee as of December 31, 2023, 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.

Basis for Adverse and Unmodified Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the City of Cherokee 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.

Responsibilities of Management 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.
to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement
Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 and the schedule of receipts and expenditures – actual and budget regulatory basis, for each individual fund (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional 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 accompanying supplementary 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 Cherokee as of and for the year ended December 31, 2022 (not presented herein), and have issued our report thereon dated June 28, 2023, which contained an unmodified opinion on the basic financial statement. The 2022 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 https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services. The 2022 actual column (2022 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2023 (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 2022 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 2022 basic financial statement. The 2022 comparative information was subjected to the auditing procedures applied in the audit of the 2022 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 2022 basic financial statement or to the 2022 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 2022 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, 2022, on the basis of accounting described in Note 1.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

June 27, 2024
Chanute, Kansas

CITY OF CHEROKEE, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2023

Funds	Beginning Unencumbered Cash Balances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Encumbrances and Accounts Payable	Cash Balance December 31, 2023
General	$ 41,766.75	$ 445,144.79	$ 393,596.49	$ 93,315.05	$ 14,337.31	$ 107,652.36
Special Purpose Funds:						
Special Parks and Recreation	14,575.06	537.75	-	15,112.81	-	15,112.81
Special Highway	91,462.94	18,782.11	-	110,245.05	-	110,245.05
Capital Improvement	-	145,100.01	-	145,100.01	-	145,100.01
Capital Project Funds:						
Sewer Project	172,680.01	-	172,680.01	-	-	-
Business Funds:						
Water Utility	119,250.24	288,648.30	264,983.87	142,914.67	8,308.76	151,223.43
Sewer Utility	48,585.87	72,448.80	86,171.64	34,863.03	1,811.87	36,674.90
Meter Deposit	-	-	-	-	743.63	743.63
Total Reporting Entity	$ 488,320.87	$ 970,661.76	$ 917,432.01	$ 541,550.62	$ 25,201.57	$ 566,752.19

Composition of Cash:	
Cash on Hand	$ 500.00
Checking Accounts	
General	321,984.74
Sewer Lagoon	145,232.55
Certificates of Deposit	99,034.90
Total Cash and Investments	$ 566,752.19

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of Cherokee, 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 principles generally accepted in the United States of America.

Financial Reporting Entity
The City of Cherokee, 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 Cherokee, Kansas, for the year of 2023:

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 receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Capital Projects funds – 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.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 regulatory receipts. In the financial statements and budget comparisons presented in this report, reimbursements and refunds are recorded as 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. For 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.

Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data in each of the statements have not been presented since their inclusion would make the statements unduly complex and difficult to read.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

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.

If the City is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The City did not hold a revenue neutral rate hearing for this year.

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

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

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

A legal operating budget is not required for capital projects funds, fiduciary funds and permanent funds. In addition, an operating budget is not required for business bond and interest funds and business reserve funds, and the following special purpose funds:

- Capital Improvements Fund

Spending in funds which are not subject to the legal annual operating budget requirement are 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 and Schedule 1, the City was in compliance with the cash basis and budget laws of Kansas.

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. All deposits were legally secured at December 31, 2023.

Deposits: At December 31, 2023, the City's carrying amount of deposits was $566,252.19 and the bank balance was $576,248.70. The bank balance was held at one bank resulting in a concentration of credit risk. Of the bank balance, $395,232.55 was covered by federal depository insurance (FDIC) and $181,016.15 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

4. SIMPLE IRA

The City has a simple IRA available for its employees. An employee is eligible if they are reasonably expected to receive at least $5,000.00 in compensation for the calendar year or have received at least $5,000.00 in the preceding year. The City will provide a 3% matching contribution in accordance with plan provisions. Total contributions made by the City into the plan on behalf of the employees for the year ended December 31, 2023, was $4,473.31.

5. LONG-TERM DEBT

Changes in long-term debt for the City for the year ended December 31, 2023, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Revolving Loans									
Paid by Utility Receipts:									
KWPCRL C20-1470-01	2.06%	March 2, 2016	$ 280,900.00	March 1, 2037	$ 184,922.55	$ -	$ 11,065.05	$ 173,857.50	$ 3,752.71
Finance Leases									
Sewer Lagoon Project	2.95%	December 6, 2021	225,000.00	December 15, 2031	206,338.52	-	19,974.06	186,364.46	6,055.74
Police Station	3.97%	May 25,2017	125,000.00	May 25, 2027	61,929.66	-	13,117.39	48,812.27	2,050.97
Total Contractual Indebtedness					$ 453,190.73	$ -	$ 44,156.50	$ 409,034.23	$ 11,859.42

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

Issue	2024	2025	2026	2027	2028	2029-2033	2034-2037	Total
Principal								
Revolving Loans								
KWPCRL C20-1470-01	$ 11,294.16	$ 11,528.02	$ 11,766.72	$ 12,010.36	$ 12,259.05	$ 65,209.59	$ 49,789.60	$ 173,857.50
Finance Leases								
Sewer Lagoon Project	20,847.14	21,470.80	22,113.15	22,774.67	23,456.01	75,702.69	-	186,364.46
Police Station	13,489.37	14,035.34	14,603.38	6,684.18	-	-	-	48,812.27
Total Principal Payments	45,630.67	47,034.16	48,483.25	41,469.21	35,715.06	140,912.28	49,789.60	409,034.23
Interest								
Revolving Loans								
KWPCRL C20-1470-01	3,523.60	3,289.74	3,051.04	2,807.40	2,558.71	8,879.21	2,072.56	26,182.26
Finance Leases								
Sewer Lagoon Project	5,182.66	4,559.00	3,916.65	3,255.13	2,573.79	3,426.43	-	22,913.66
Police Station	1,678.99	1,133.02	564.98	62.31	-	-	-	3,439.30
Total Interest Payments	10,385.25	8,981.76	7,532.67	6,124.84	5,132.50	12,305.64	2,072.56	52,535.22
Total Principal and Interest	$ 56,015.92	$ 56,015.92	$ 56,015.92	$ 47,594.05	$ 40,847.56	$ 153,217.92	$ 51,862.16	$ 461,569.45

6. FINANCE LEASES

The City has entered into a finance lease agreement dated May 25, 2018, to construct a police station. The cost of the police station was $125,000.00. The City agreed to make monthly payments of $1,264.03, which includes imputed interest at 3.974% for a period of ten years.

For the Year Ended December 31	Totals
2024	$ 15,168.36
2025	15,168.36
2026	15,168.36
2027	6,746.49
Total Net Minimum Lease Payments	52,251.57
Less: Imputed Interest	(3,439.30)
NET PRESENT VALUE OF FINANCE LEASE	48,812.27
Less: Current Maturities	(13,489.37)
Long-Term Finance Lease Obligations	$ 35,322.90

The City has entered into a finance lease agreement dated December 6, 2021, for a Sewer System Expansion Project. The cost of the project financed by the lease is $225,000.00. The City agreed to make monthly payments of $2,169.15, which includes imputed interest at 2.951% for a period of ten years.

For the Year Ended December 31	Totals
2024	$ 26,029.80
2025	26,029.80
2026	26,029.80
2027	26,029.80
2028	26,029.80
2029-2031	79,129.12
Total Net Minimum Lease Payments	209,278.12
Less: Imputed Interest	(22,913.66)
NET PRESENT VALUE OF FINANCE LEASE	186,364.46
Less: Current Maturities	(20,847.14)
Long-Term Finance Lease Obligations	$ 165,517.32

7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences:
Full time employees earn and accumulate vacation leave as follows:

Zero to Five Years of Employment - 10 Days
Five or more Years of Employment - 12 Days

Part time employees who work at least 20 hours or more per week shall earn vacation at a rate of four hours for each month.

Employees shall not accrue more than 100% of their annual vacation leave.

Regular employees earn and accumulate sick leave from the beginning of employment at the rate of .20 days per week of service. Sick leave may be accumulated to a maximum of 60 days. Any unused sick leave at date of termination is lost.

7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (Continued)

The City accrues a liability for compensated absences which meet the following criteria:

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 $5,391.09. 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 the 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 the City under this program.

8. ECONOMIC DEPENDENCY

During 2023, the City sold 34.29% of its water available for sale to Rural Water District #5 and 22.46% to the City of McCune, Kansas. The City purchased 26.86% of its water from Public Wholesale Water Supply District #11.

9. 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.

10. CAPITAL PROJECTS

The following is a summary of capital project authorizations and expenditures to date:

PROJECT NAME	AUTHORIZED	EXPENDED THRU 12/31/23	ESTIMATED COMPLETION
Sewer Extension Project	$ 443,047.28	$ 297,947.27	Complete

11. INTERFUND TRANSFERS

Operating transfers were as follows:

From Fund:	To Fund:	Statutory Authority	Amount
Water Utility	General	K.S.A. 12-825d	$ 50,000.00

Residual transfers were as follows:

From Fund:	To Fund:	Statutory Authority	Amount
Sewer Project	Capital Improvement	K.S.A. 12-1,118	$ 145,100.01

12. 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

Schedule 1

CITY OF CHEROKEE, KANSAS
Summary of Expenditures - Budgeted Funds Only
Regulatory Basis
For the Year Ended December 31, 2023

Funds	Total Certified Budget	Expenditures Charged to Current Year Budget	Variance - Over (Under)
General Fund	$ 553,847.00	$ 393,596.49	$ (160,250.51)
Special Purpose Funds:			
Special Parks and Recreation	14,658.00	-	(14,658.00)
Special Highway	115,435.00	-	(115,435.00)
Business Funds:			
Water Utility	406,500.00	264,983.87	(141,516.13)
Sewer Utility	128,210.00	86,171.64	(42,038.36)

CITY OF CHEROKEE, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended December 31, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	$ 90,683.80	$ 95,981.67	$ 106,709.00	$ (10,727.33)
Delinquent Tax	7,448.72	12,054.96	6,981.00	5,073.96
Motor Vehicle Tax	20,719.40	22,457.61	23,484.00	(1,026.39)
Recreational Vehicle Tax	366.29	374.13	395.00	(20.87)
16 & 20 M Truck Tax	217.31	34.26	140.00	(105.74)
Commercial Vehicle Tax	449.64	636.76	432.00	204.76
Watercraft Tax	-	-	208.00	(208.00)
Special Assessment	3,305.00	540.00	-	540.00
Sales Tax	164,980.70	196,263.05	205,334.00	(9,070.95)
Alcohol Liquor Tax	15.73	297.75	300.00	(2.25)
Special Parks and Recreation Distribution	112.81	-	-	-
Franchise Tax	30,157.01	29,834.22	27,288.00	2,546.22
Licenses and Permits				
Other Licenses and Permits	622.00	627.00	505.00	122.00
Fines, Forfeitures, and Penalties	18,774.25	13,969.73	28,879.00	(14,909.27)
Use of Money and Property				
Interest Income	432.75	1,706.65	543.00	1,163.65
Rental Income	740.45	340.00	235.00	105.00
Sale of Assets	2,060.75	111.10	-	111.10
Charges for Services				
Grave Openings and Sale of Cemetery Lots	900.00	1,475.00	300.00	1,175.00
Copies and Fax Charges	7.00	9.30	6.00	3.30
Other Receipts				
Miscellaneous	1,497.89	2,261.24	-	2,261.24
Reimbursed Expense	21,125.98	16,170.36	-	16,170.36
Operating Transfers from Water Utility Fund	30,000.00	50,000.00	50,000.00	-
Total Receipts	394,617.48	445,144.79	$ 451,739.00	$ (6,594.21)
Expenditures				
General Government				
Personal Services	35,133.00	28,687.20	$ 51,596.00	$ (22,908.80)
Contractual Services	68,713.64	67,818.81	65,000.00	2,818.81
Commodities	14,300.30	16,905.77	15,000.00	1,905.77
Capital Outlay	-	-	153,401.00	(153,401.00)

CITY OF CHEROKEE, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended December 31, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Expenditures (Continued)				
Police Department				
Personal Services	$ 81,188.00	$ 106,532.92	$ 71,959.00	$ 34,573.92
Contractual Services	23,768.74	24,674.54	28,000.00	(3,325.46)
Commodities	25,362.02	30,051.55	20,000.00	10,051.55
Capital Outlay	6,490.25	-	-	-
Fire Department				
Contractual Services	3,258.62	3,763.41	3,259.00	504.41
Street Department				
Personal Services	50,179.85	28,598.77	52,134.00	(23,535.23)
Contractual Services	3,346.96	6,509.21	8,000.00	(1,490.79)
Commodities	11,556.94	18,962.90	13,000.00	5,962.90
Parks and Recreation Department				
Contractual Services	2,723.97	5,757.46	1,500.00	4,257.46
Commodities	214.62	127.79	1,500.00	(1,372.21)
Cemetery Department				
Personal Services	-	-	1,300.00	(1,300.00)
Contractual Services	12,783.62	14,008.00	15,500.00	(1,492.00)
Commodities	-	-	500.00	(500.00)
Capital Outlay	-	-	11,000.00	(11,000.00)
Debt Service				
Finance Lease - Storm Shelter	4,081.50	-	-	-
Finance Lease - Sewer Lagoon	10,845.75	26,029.80	26,030.00	(0.20)
Finance Lease - Police Building	15,168.36	15,168.36	15,168.00	0.36
Total Expenditures	369,116.14	393,596.49	$ 553,847.00	$ (160,250.51)
Receipts Over (Under) Expenditures	25,501.34	51,548.30		
Unencumbered Cash, Beginning	16,265.41	41,766.75		
Unencumbered Cash, Ending	$ 41,766.75	$ 93,315.05		

CITY OF CHEROKEE, KANSAS
SPECIAL PARKS AND RECREATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended December 31, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Intergovernmental				
Alcohol Liquor Tax	$ 15.73	$ 297.75	$ -	$ 297.75
Special Parks and Recreation Distribution	127.19	240.00	113.00	127.00
Total Receipts	142.92	537.75	$ 113.00	$ 424.75
Expenditures				
Culture and Recreation				
Contractual Services	-	-	$ 2,000.00	$ (2,000.00)
Commodities	-	-	2,000.00	(2,000.00)
Capital Outlay	-	-	10,658.00	(10,658.00)
Total Expenditures	-	-	$ 14,658.00	$ (14,658.00)
Receipts Over (Under) Expenditures	142.92	537.75		
Unencumbered Cash, Beginning	14,432.14	14,575.06		
Unencumbered Cash, Ending	$ 14,575.06	$ 15,112.81		

CITY OF CHEROKEE, KANSAS
SPECIAL HIGHWAY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended December 31, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Intergovernmental				
State Highway Payment	$ 17,573.21	$ 16,010.69	$ 19,680.00	$ (3,669.31)
County Fuel Tax	2,564.87	2,771.42	2,540.00	231.42
Total Receipts	20,138.08	18,782.11	$ 22,220.00	$ (3,437.89)
Expenditures				
Street Maintenance				
Personal Services	-	-	$ 10,000.00	$ (10,000.00)
Contractual Services	-	-	18,000.00	(18,000.00)
Commodities	-	-	15,000.00	(15,000.00)
Capital Outlay	-	-	72,435.00	(72,435.00)
Total Expenditures	-	-	$ 115,435.00	$ (115,435.00)
Receipts Over (Under) Expenditures	20,138.08	18,782.11		
Unencumbered Cash, Beginning	71,324.86	91,462.94		
Unencumbered Cash, Ending	$ 91,462.94	$ 110,245.05		

CITY OF CHEROKEE, KANSAS
CAPITAL IMPROVEMENT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended December 31, 2022)

	Prior Year Actual	Current Year Actual
Receipts		
Residual Transfers from Sewer Project Fund	$ -	$ 145,100.01
Total Receipts	-	145,100.01
Expenditures		
General Government		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	145,100.01
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ -	$ 145,100.01

CITY OF CHEROKEE, KANSAS
SEWER PROJECT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended December 31, 2022)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
ARPA Grant Proceeds - County	$ 110,000.00	$ -
ARPA Grant Proceeds	54,023.64	-
Total Receipts	164,023.64	-
Expenditures		
Sewer Project		
Capital Outlay	173,156.58	27,580.00
Residual Transfer to		
Capital Improvement Fund	-	145,100.01
Total Expenditures	173,156.58	172,680.01
Receipts Over (Under) Expenditures	(9,132.94)	(172,680.01)
Unencumbered Cash, Beginning	181,812.95	172,680.01
Unencumbered Cash, Ending	$ 172,680.01	$ -

CITY OF CHEROKEE, KANSAS
WATER UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended December 31, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Water Sales	$ 295,627.17	$ 282,086.43	$ 293,649.00	$ (11,562.57)
Permits and Fees	1,250.00	1,350.00	1,765.00	(415.00)
Penalties	3,572.92	4,284.32	4,248.00	36.32
Use of Money and Property				
Interest	133.83	134.99	133.00	1.99
Other Receipts				
Reimbursed Expense	4,000.00	212.74	-	212.74
Miscellaneous	501.53	579.82	-	579.82
Total Receipts	305,085.45	288,648.30	$ 299,795.00	$ (11,146.70)
Expenditures				
Production and Distribution				
Personal Services	65,465.00	69,311.63	$ 67,270.00	$ 2,041.63
Contractual Services	44,350.19	45,378.97	55,000.00	(9,621.03)
Commodities	81,320.48	73,543.27	90,000.00	(16,456.73)
Capital Outlay	14,250.00	26,750.00	144,230.00	(117,480.00)
Operating Transfers to				
General Fund	30,000.00	50,000.00	50,000.00	-
Total Expenditures	235,385.67	264,983.87	$ 406,500.00	$ (141,516.13)
Receipts Over (Under) Expenditures	69,699.78	23,664.43		
Unencumbered Cash, Beginning	49,550.46	119,250.24		
Unencumbered Cash, Ending	$ 119,250.24	$ 142,914.67		

CITY OF CHEROKEE, KANSAS
SEWER UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended December 31, 2022)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Sewer Charges	$ 66,038.83	$ 72,184.76	$ 61,326.00	$ 10,858.76
Other Receipts				
Reimbursed Expense	6,949.87	-	2,000.00	(2,000.00)
Miscellaneous	45.00	264.04	-	264.04
Total Receipts	73,033.70	72,448.80	$ 63,326.00	$ 9,122.80
Expenditures				
Treatment and Distribution				
Personal Services	24,281.48	49,283.27	$ 5,000.00	$ 44,283.27
Contractual Services	12,673.55	15,515.71	15,000.00	515.71
Commodities	6,256.44	6,554.90	5,000.00	1,554.90
Capital Outlay	-	-	88,392.00	(88,392.00)
Debt Service				
Sewer Lagoon-Principal	10,840.59	11,065.05	11,065.00	0.05
Sewer Lagoon-Interest	3,977.17	3,752.71	3,753.00	(0.29)
Finance Lease - Sewer Lagoon	13,014.90	-	-	-
Total Expenditures	71,044.13	86,171.64	$ 128,210.00	$ (42,038.36)
Receipts Over (Under) Expenditures	1,989.57	(13,722.84)		
Unencumbered Cash, Beginning	46,596.30	48,585.87		
Unencumbered Cash, Ending	$ 48,585.87	$ 34,863.03		

CITY OF CHEROKEE, KANSAS
METER DEPOSIT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended December 31, 2022)

	Prior Year Actual	Current Year Actual
Receipts		
Meter Deposits	$ -	$ -
Total Receipts	-	-
Expenditures		
Operation and Maintenance		
Contractual Services	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ -	$ -

Jarred Gilmore Phillips

Honorable Mayor and City Council
City of Cherokee, Kansas

In planning and performing our audit of the financial statement of the City of Cherokee, Kansas as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Cherokee, Kansas' system of 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 Cherokee, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cherokee, Kansas' 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 deficiency 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 City's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in 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.

Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the City's financial activity is properly recorded, processed, summarized, and reported in the financial statement. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the City. Due to small staff size, it is not possible for reviews of daily work to take place, potentially resulting in errors in financial records and reports.

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

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
June 27, 2024