

CITY OF CANEY, KANSAS

Independent Auditors' Report and
Financial Statement with
Supplementary Information

For the Year Ended December 31, 2017

CITY OF CANEY, KANSAS
For the Year Ended December 31, 2017

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Caney, Kansas

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

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Caney 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 Caney as of December 31, 2017, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

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

Other Matters

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Caney as of and for the year ended December 31, 2016 (not presented herein), and have issued our report thereon dated June 21, 2017, which contained an unmodified opinion on the basic financial statement. The 2016 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2016 actual column (2016 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2017 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2016 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 basic financial statement or to the 2016 basic financial statement itself, and other additional procedures in accordance with auditing standards

generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2016, on the basis of accounting described in Note 1.

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

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

June 5, 2018
Chanute, Kansas

CITY OF CANEY, KANSAS

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

Funds	Beginning Unencumbered Cash Balances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Add Encumbrances and Accounts Payable	Cash Balance December 31, 2017
General Fund	\$ 76,232.62	\$ 1,074,417.64	\$ 1,056,583.34	\$ 94,066.92	\$ 58,134.60	\$ 152,201.52
Special Purpose Funds:						
Industrial	17,720.24	256.55	5,025.00	12,951.79	-	12,951.79
Library	0.03	64,156.40	64,156.40	0.03	-	0.03
Special Parks	20,092.35	2,164.86	4,133.82	18,123.39	-	18,123.39
Employee Benefits	29,802.99	136,335.46	141,879.42	24,259.03	203.07	24,462.10
Vehicle Identification	6,461.26	4,105.00	2,363.97	8,202.29	32.00	8,234.29
Special Highway	101,889.09	64,830.70	73,750.12	92,969.67	248.36	93,218.03
Municipal Equipment	16,267.46	-	10,532.75	5,734.71	-	5,734.71
Police, Fire, and Ambulance Equipment	3,971.11	63,290.65	20,747.84	46,513.92	-	46,513.92
Street Sales Tax	213,254.06	109,150.12	168,522.78	153,881.40	-	153,881.40
Capital Project Funds:						
New Library Building	1,311.78	-	1,311.78	-	-	-
Northend Interceptor Capital Project	(8,397.98)	780,061.81	771,663.83	-	-	-
Wastewater Improvement Project	-	-	16,804.14	(16,804.14)	-	(16,804.14)
Bond and Interest Funds:						
General Obligation Bond and Interest	239,921.43	140,335.91	170,837.50	209,419.84	-	209,419.84
Business Funds:						
Water Utility	25,481.63	658,564.03	611,175.22	72,870.44	20,958.29	93,828.73
Water Plant Improvement	56,210.73	102,000.00	94,354.86	63,855.87	-	63,855.87
Water Principal and Interest	18,089.38	72,500.00	70,170.00	20,419.38	-	20,419.38
Sewer Utility	30,053.21	563,693.25	532,044.64	61,701.82	4,404.79	66,106.61
Sewer System Operating Replacement	(1,449.72)	5,806.30	4,356.58	-	-	-
Sewer Treatment Replacement	180.12	-	-	180.12	-	180.12
Sewer Principal and Interest	70,875.91	150,000.00	146,162.88	74,713.03	-	74,713.03
Solid Waste Utility	30,792.48	225,729.40	211,062.70	45,459.18	15,611.43	61,070.61
Total Primary Government (Excluding Agency Funds)	\$ 948,760.18	\$ 4,217,398.08	\$ 4,177,639.57	\$ 988,518.69	\$ 99,592.54	\$ 1,088,111.23

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

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

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

	<u>2017</u>
Total Cash to be accounted for:	<u>\$ 1,088,111.23</u>
Composition of Cash:	
Utility Cash on Hand.....	\$ 250.00
General Petty Cash on Hand.....	200.00
Police Petty Cash on Hand.....	201.00
Checking Accounts:	
General Account	403,600.79
Money Market Account	<u>685,987.68</u>
Total Cash	1,090,239.47
Agency Funds per Schedule 3	<u>(2,128.24)</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 1,088,111.23</u>

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

CITY OF CANEY, KANSAS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of Caney, 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 Caney, Kansas (the City) is a municipal corporation governed by a Mayor and elected eight member council. This financial statement presents the City of Caney, Kansas.

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

Caney Public Library - The Caney Public Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Separate financial information can be obtained from the Recreation Commission.

Caney Recreation Commission - The Caney Recreation Commission oversees the City's recreation activities. The Caney Recreation Commission operates as a separate governing body but the City may appoint board members to the Recreation Commission. Separate financial information can be obtained from the Recreation Commission.

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 Caney, Kansas, for the year of 2017:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis Fund Types (Continued)

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.

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

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

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.).

Basis of Presentation – Regulatory Basis of Accounting

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

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

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.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as cash receipts. In the financial statement and budget 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property.

Special Assessments

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

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest, 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. During the year ended December 31, 2017 the City amended the budget for the Wastewater Utility Fund and the Water Sales Tax Fund.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

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

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

- Municipal Equipment Fund
- Street Sales Tax 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, the City was in apparent violation with K.S.A. 10-1113, as the City has obligated expenditures in excess of available monies in the Wastewater Improvement Project Fund. However, K.S.A 10-1116 provides that under certain situations, a fund can end the year with a negative unencumbered cash balance and therefore, exempt from the cash basis laws of the State of Kansas. The fund listed above met the criteria under the statutes, and therefore, is not deemed to be in violation of the Kansas cash basis law. As shown in Schedule 1, the City was in compliance with the budget laws of Kansas.

Management is not aware of any other material statutory violations.

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.

3. **DEPOSITS AND INVESTMENTS** (Continued)

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

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

Deposits: At year-end, the City's carrying amount of deposits was \$1,089,588.47 and the bank balance was \$1,133,600.42. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000.00 was covered by FDIC insurance and \$883,600.42 was collateralized with pledged securities held by the pledging financial institutions' agents in the City's name.

4. **CAPITAL LEASE OBLIGATIONS**

The City has entered into a capital lease agreement in order finance the purchase of a 2015 John Deere Compact Excavator. Payments are made monthly including interest at 4.30%. Final maturity of the lease is March 10, 2020. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2018	\$ 8,971.80
2019	8,971.80
2020	<u>2,242.95</u>
	20,186.55
Less imputed interest	<u>(978.49)</u>
Net Present Value of Minimum Lease Payments	19,208.06
Less: Current Maturities	<u>(7,309.00)</u>
Long-Term Capital Lease Obligations	<u>\$ 11,899.06</u>

The City has entered into a capital lease agreement in order finance the purchase of fire bunker gear. Payments are made quarterly including interest at 2.344%. Final maturity of the lease is May 8, 2020. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2018	\$ 10,602.76
2019	10,602.76
2020	<u>2,650.69</u>
	23,856.21
Less imputed interest	<u>(708.91)</u>
Net Present Value of Minimum Lease Payments	23,147.30
Less: Current Maturities	<u>(9,889.62)</u>
Long-Term Capital Lease Obligations	<u>\$ 13,966.59</u>

4. **CAPITAL LEASE OBLIGATIONS** (Continued)

The City has entered into a capital lease agreement in order finance the purchase of various pieces of maintenance equipment. Payments are made quarterly including interest at 1.95%. Final maturity of the lease is March 1, 2023. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2018	\$ 13,162.12
2019	13,162.12
2020	13,162.12
2021	13,162.12
2022	13,162.12
2023	<u>6,581.06</u>
	72,391.66
Less imputed interest	<u>(6,899.70)</u>
Net Present Value of Minimum	
Lease Payments	65,491.96
Less: Current Maturities	<u>(11,741.12)</u>
Long-Term Capital Lease Obligations	<u>\$ 53,750.84</u>

The City has entered into a capital lease agreement in order finance the purchase of a 1993 Freightliner Fire Truck. Payments are made quarterly including interest at 2.25%. Final maturity of the lease is June 8, 2021. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2018	\$ 7,379.28
2019	7,379.28
2020	7,379.28
2021	<u>3,689.64</u>
	25,827.48
Less imputed interest	<u>(1,057.70)</u>
Net Present Value of Minimum	
Lease Payments	24,769.78
Less: Current Maturities	<u>(6,727.08)</u>
Long-Term Capital Lease Obligations	<u>\$ 18,042.70</u>

The City has entered into a capital lease agreement in order finance the purchase of a 2004 Sewer Pumper Truck. Payments are made annually including interest at 3.50%. Final maturity of the lease is September 15, 2024. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2018	\$ 5,819.07
2019	5,819.07
2020	5,819.07
2021	5,819.07
2022	5,819.07
2023-2024	<u>17,457.17</u>
	40,733.45
Less imputed interest	<u>(5,512.52)</u>
Net Present Value of Minimum	
Lease Payments	35,580.93
Less: Current Maturities	<u>(4,419.07)</u>
Long-Term Capital Lease Obligations	<u>\$ 31,161.86</u>

5. LONG-TERM DEBT

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

Issue	Interest Rates	Date of Issue	Original Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds									
Paid by Utility Receipts:									
Series 2011 A	.75-3.60%	December 20, 2011	\$ 745,000.00	December 1, 2024	\$ 485,000.00	\$ -	\$ (55,000.00)	\$ 430,000.00	\$ 15,170.00
Paid by Sales Tax Receipts									
Series 2012 A	.50-1.25%	March 27, 2012	660,000.00	March 15, 2018	225,000.00	-	(110,000.00)	115,000.00	2,837.50
Revolving Loans									
Paid by Utility Receipts:									
KWPCRL C20-1499-01	3.07%	July 7, 1999	600,000.00	March 1, 2021	168,122.59	-	(35,394.46)	132,728.13	4,891.78
KWPCRL C20-1709-01	2.58%	July 6, 2007	1,155,596.00	September 1, 2027	203,628.81	780,061.81	(94,313.17)	889,377.45	11,563.47
KPWSLF - No. 2491	3.36%	April 20, 2007	1,344,166.58	February 1, 2028	893,890.71	-	(64,860.41)	829,030.30	29,494.45
Capital Leases									
John Deere Excavator	2.95%	March 10, 2015	40,300.00	March 10, 2020	26,517.06	-	(7,309.00)	19,208.06	915.15
Fire Bunker Gear	2.34%	August 8, 2015	50,080.00	May 8, 2020	33,036.92	-	(9,889.62)	23,147.30	713.14
Maintenance Equipment	1.95%	March 16, 2016	85,990.32	March 1, 2023	77,233.08	-	(11,741.12)	65,491.96	1,419.44
Fire Truck	2.25%	September 8, 2016	35,000.00	June 8, 2021	31,496.86	-	(6,727.08)	24,769.78	652.20
Sewage Pumper Truck	3.50%	May 27, 2017	40,000.00	September 15, 2024	-	40,000.00	(4,419.07)	35,580.93	1,400.00
Total Contractual Indebtedness					\$ 2,143,926.03	\$ 820,061.81	\$ (399,653.93)	\$ 2,564,333.91	\$ 69,057.13

5. LONG-TERM DEBT

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

Issue	2018	2019	2020	2021	2022	2023-2027	2028-2030	Less Proceeds Not Drawndown	Total
Principal									
General Obligation Bonds									
Series 2011A	\$ 55,000.00	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00	\$ 65,000.00	\$ 130,000.00	\$ -	\$ -	\$ 430,000.00
Series 2012A	115,000.00	-	-	-	-	-	-	-	115,000.00
Revolving Loans									
KWPCRL C20-1499-01	36,489.40	37,618.22	38,781.97	19,838.54	-	-	-	-	132,728.13
KWPCRL C20-1709-01	82,463.34	84,604.62	86,801.50	89,055.42	91,367.88	463,272.88	-	(8,188.19)	889,377.45
KPWSLF - No. 2491	67,058.03	69,330.12	71,679.18	74,107.82	76,618.76	423,838.53	46,397.86	-	829,030.30
Capital Leases									
John Deere Excavator	8,308.36	8,672.73	2,226.97	-	-	-	-	-	19,208.06
Fire Bunker Gear	10,132.14	10,380.61	2,634.55	-	-	-	-	-	23,147.30
Maintenance Equipment	11,971.75	12,206.91	12,444.45	12,691.14	12,940.43	3,237.28	-	-	65,491.96
Fire Truck	6,879.72	7,035.83	7,195.49	3,658.74	-	-	-	-	24,769.78
Sewage Pumper Truck	4,573.74	4,733.82	4,899.50	5,070.98	5,248.47	11,054.42	-	-	35,580.93
Total Principal Payments	397,876.48	294,582.86	286,663.61	264,422.64	251,175.54	1,031,403.11	46,397.86	(8,188.19)	2,564,333.91
Interest									
General Obligation Bonds									
Series 2011A	13,850.00	12,420.00	10,740.00	8,940.00	7,020.00	7,020.00	-	-	59,990.00
Series 2012A	1,006.25	-	-	-	-	-	-	-	1,006.25
Revolving Loans									
KWPCRL C20-1499-01	3,796.84	2,668.02	1,504.27	304.58	-	-	-	-	8,273.71
KWPCRL C20-1709-01	23,413.30	21,272.02	19,075.14	16,821.22	14,508.76	66,110.32	-	-	161,200.76
KPWSLF - No. 2491	27,296.83	25,024.74	22,675.68	22,675.68	20,247.04	55,013.49	11,437.95	-	184,371.41
Capital Leases									
John Deere Excavator	663.44	299.07	15.98	-	-	-	-	-	978.49
Fire Bunker Gear	470.62	222.15	16.14	-	-	-	-	-	708.91
Maintenance Equipment	1,190.37	955.21	717.67	470.98	221.69	3,343.78	-	-	6,899.70
Fire Truck	499.56	343.45	183.79	30.90	-	-	-	-	1,057.70
Sewage Pumper Truck	1,245.33	1,085.25	919.57	748.09	570.60	583.68	-	-	5,152.52
Total Interest Payments	73,432.54	64,289.91	55,848.24	49,991.45	42,568.09	132,071.27	11,437.95	-	429,639.45
Total Principal and Interest	\$ 471,309.02	\$ 358,872.77	\$ 342,511.85	\$ 314,414.09	\$ 293,743.63	\$ 1,163,474.38	\$ 57,835.81	\$ (8,188.19)	\$ 2,993,973.36

6. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. The 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, 2016. Effective January 1, 2016, 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, KPERS 2, KPERS 3 and KP&F 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 with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for KPERS for the fiscal year ended December 31, 2017. Contributions to the pension plan from (non-school municipality) were \$55,860.33 for KPERS for the year ended December 31, 2017.

Net Pension Liability

At December 31, 2017, the City's proportionate share of the collective net pension liability reported by KPERS was \$615,478.00. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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. CAPITAL PROJECTS

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

<u>PROJECT NAME</u>	<u>AUTHORIZED</u>	<u>EXPENDED THRU 12/31/17</u>	<u>ESTIMATED COMPLETION</u>
Northend Interceptor Sewer Line Project	\$ 850,000.00	\$ 841,811.81	Completed

8. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences:

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

Months Continuous Employment:	1-24	25-72	73-144	145-216	217-276	277+
Hours Granted per Year:	4	6	9	10	18	12

Accrued vacation benefits must be used within the employee's annual period (hire date to hire date).

Sick leave accrues to all full-time employees at the rate of one sick day per month to a maximum of 60 days. In the event of termination, an employee shall not be paid for any accrued sick leave.

The City has no policy regarding compensatory time, however it is accumulated.

The City determines a liability for compensated absences when the following conditions are met:

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

In accordance with the above criteria, the City has accrued a liability for annual leave and compensatory time, which has been earned, but not taken, by City employees. The estimated liability at December 31, 2017, was \$14,602.73 for annual leave. In accordance with the above criteria, the City has not recorded a liability for sick pay, inasmuch as the amount cannot be reasonably estimated.

Other Post Employment Benefits:

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

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

9. 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. INTERFUND TRANSFERS

Operating and residual transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Obligation Bond & Interest	Water Plant Improvement	K.S.A. 12-197	\$ 34,000.00
General Obligation Bond & Interest	Water Principal and Interest	K.S.A. 12-197	24,000.00
Water Utility	Water Principal and Interest	K.S.A. 12-825d	48,500.00
Water Utility	Water Plant Improvement	K.S.A. 12-825d	68,000.00
Sewer Utility	Sewer Principal and Interest	K.S.A. 12-825d	150,000.00

11. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statement. However, subsequent to year end, the City has approved repairs to the wastewater system and the lift stations in the amount of \$540,000.00 to be financed with a USDA Rural Development loan.

SUPPLEMENTARY INFORMATION

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

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
	\$	\$	\$	\$	\$
General Fund	1,139,269.00	-	1,139,269.00	1,056,583.34	(82,685.66)
Special Purpose Funds:					
Industrial	11,000.00	-	11,000.00	5,025.00	(5,975.00)
Library	68,425.00	-	68,425.00	64,156.40	(4,268.60)
Special Parks	6,000.00	-	6,000.00	4,133.82	(1,866.18)
Employee Benefits	192,255.00	-	192,255.00	141,879.42	(50,375.58)
Vehicle Identification	6,300.00	-	6,300.00	2,363.97	(3,936.03)
Special Highway	83,641.00	-	83,641.00	73,750.12	(9,890.88)
Police, Fire, and Ambulance Equipment Bond and Interest Fund:	63,587.00	-	63,587.00	20,747.84	(42,839.16)
General Obligation Bond and Interest	256,338.00	-	256,338.00	170,837.50	(85,500.50)
Business Funds:					
Water Utility	708,231.00	-	708,231.00	611,175.22	(97,055.78)
Sewer Utility	574,192.00	-	574,192.00	532,044.64	(42,147.36)
Solid Waste Utility	234,730.00	-	234,730.00	211,062.70	(23,667.30)

CITY OF CANEY, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year			Variance -
	Prior				Over
	Year				
	Actual	Actual	Budget		(Under)
Receipts					
Taxes and Shared Receipt					
Ad Valorem Property Tax	\$ 232,171.21	\$ 291,472.90	\$ 322,127.00	\$	(30,654.10)
Delinquent Tax	14,940.15	9,133.26	9,918.00		(784.74)
Motor Vehicle Tax	22,242.20	26,654.82	28,616.00		(1,961.18)
Recreational Vehicle Tax	315.88	336.46	323.00		13.46
16/20M Truck Tax	249.50	257.87	253.00		4.87
Commercial Vehicle Tax	548.42	384.82	1,378.00		(993.18)
Watercraft Tax	-	78.14	88.00		(9.86)
Franchise Taxes	231,939.93	235,740.37	225,000.00		10,740.37
Local Alcoholic Liquor Tax	514.80	1,218.17	2,100.00		(881.83)
County Alcoholic Liquor Tax	1,193.27	1,135.55	-		1,135.55
Compensating Use Tax	116,444.61	107,934.55	130,000.00		(22,065.45)
Local Sales Tax	140,372.70	140,335.96	139,000.00		1,335.96
Intergovernmental					
Federal Grants	1,343.69	2,133.63	-		2,133.63
State and Local Grants	-	3,000.00	-		3,000.00
Licenses and Permits					
Licenses, Permits & Fees	3,889.00	6,283.00	4,000.00		2,283.00
Charges for Services					
Swimming Pool	14,450.03	13,142.98	13,800.00		(657.02)
Dog Tags	33.00	-	-		-
Cemetery Lots & Settings	8,160.00	12,942.00	12,000.00		942.00
Ambulance Fees	118,580.68	73,178.33	100,000.00		(26,821.67)
County Ambulance Assistance	57,118.10	57,137.49	57,000.00		137.49
Fines, Forfeitures and Penalties					
Fines	42,795.00	51,456.85	35,000.00		16,456.85
Use of Money and Property					
Interest Income	706.02	970.88	500.00		470.88
Sale of Assets	15,462.97	4,200.00	-		4,200.00
Loan Repayments	308.16	-	-		-
Other Receipts					
Miscellaneous	56,302.52	35,289.61	21,860.00		13,429.61
Total Receipts	1,080,081.84	1,074,417.64	\$ 1,102,963.00	\$	(28,545.36)
Expenditures					
City Administrator Department					
Personal Services	68,533.72	52,211.03	\$ 74,050.00	\$	(21,838.97)
Contractual Services	181,710.17	171,439.18	187,510.00		(16,070.82)
Commodities	15,232.81	10,926.86	19,000.00		(8,073.14)
Capital Outlay	1,448.93	-	1,000.00		(1,000.00)

CITY OF CANEY, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year		
		Actual	Budget	Variance - Over (Under)
Expenditures (Continued)				
Street Department				
Personal Services	\$ 37,041.66	\$ 23,543.91	\$ 51,996.00	\$ (28,452.09)
Contractual Services	31,679.26	29,786.89	20,450.00	9,336.89
Commodities	16,258.09	18,419.59	11,250.00	7,169.59
Capital Outlay	150.00	-	-	-
Parks Department				
Contractual Services	9,663.33	11,625.73	8,000.00	3,625.73
Commodities	-	-	4,000.00	(4,000.00)
Pool Department				
Personal Services	22,648.34	21,316.72	22,606.00	(1,289.28)
Contractual Services	5,553.74	6,860.04	9,150.00	(2,289.96)
Commodities	6,503.56	5,196.04	4,150.00	1,046.04
Capital Outlay	-	-	-	-
Police Department				
Personal Services	289,552.34	293,876.79	343,110.00	(49,233.21)
Contractual Services	54,259.09	59,358.05	14,774.00	44,584.05
Commodities	17,858.37	17,476.54	33,526.00	(16,049.46)
Capital Outlay	934.35	7,062.79	3,000.00	4,062.79
Fire Department				
Personal Services	11,691.96	14,151.38	14,200.00	(48.62)
Contractual Services	26,104.30	40,924.58	21,900.00	19,024.58
Commodities	4,111.91	9,421.91	11,900.00	(2,478.09)
Capital Outlay	-	-	2,700.00	(2,700.00)
Ambulance Department				
Personal Services	167,025.98	155,478.22	194,697.00	(39,218.78)
Contractual Services	65,679.94	42,062.31	47,000.00	(4,937.69)
Commodities	10,628.97	12,683.88	16,000.00	(3,316.12)
Capital Outlay	-	-	-	-
Cemetery Department				
Personal Services	8,815.32	8,015.26	13,600.00	(5,584.74)
Contractual Services	8,256.79	44,745.64	2,200.00	42,545.64
Commodities	-	-	7,500.00	(7,500.00)
Debt Service				
Capital Lease	1,326.74	-	-	-
Total Expenditures	1,062,669.67	1,056,583.34	\$ 1,139,269.00	\$ (82,685.66)
Receipts Over(Under) Expenditures	17,412.17	17,834.30		
Unencumbered Cash, Beginning	58,820.45	76,232.62		
Unencumbered Cash, Ending	\$ 76,232.62	\$ 94,066.92		

CITY OF CANEY, KANSAS
INDUSTRIAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipt				
Ad Valorem Property Tax	\$ 1,144.52	\$ (4.22)	\$ -	\$ (4.22)
Delinquent Tax	311.53	77.70	250.00	(172.30)
Motor Vehicle Tax	327.13	174.32	139.00	35.32
Recreational Vehicle Tax	4.64	2.49	2.00	0.49
16/20M Truck Tax	3.04	3.99	1.00	2.99
Commercial Vehicle Tax	7.90	1.90	7.00	(5.10)
Watercraft Tax	-	0.37	-	0.37
Use of Money and Property				
Sale of Assets	7,237.50	-	-	-
Total Receipts	9,036.26	256.55	\$ 399.00	\$ (137.72)
Expenditures				
General Government				
Contractual Services	4,275.00	4,400.00	\$ 10,000.00	\$ (5,600.00)
Commodities	-	625.00	1,000.00	(375.00)
Total Expenditures	4,275.00	5,025.00	\$ 11,000.00	\$ (5,975.00)
Receipts Over(Under) Expenditures	4,761.26	(4,768.45)		
Unencumbered Cash, Beginning	12,958.98	17,720.24		
Unencumbered Cash, Ending	\$ 17,720.24	\$ 12,951.79		

CITY OF CANEY, KANSAS
LIBRARY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipt				
Ad Valorem Property Tax	\$ 48,777.44	\$ 54,795.30	\$ 59,538.00	\$ (4,742.70)
Delinquent Tax	3,679.21	2,027.20	-	2,027.20
Motor Vehicle Tax	5,801.41	5,780.79	5,892.00	(111.21)
Recreational Vehicle Tax	82.19	74.88	67.00	7.88
16/20M Truck Tax	52.96	70.90	52.00	18.90
Commercial Vehicle Tax	139.77	79.47	284.00	(204.53)
Watercraft Tax	-	16.08	18.00	(1.92)
Other Receipts				
Donations	-	1,311.78	-	1,311.78
Total Receipts	58,532.98	64,156.40	\$ 65,851.00	\$ (1,694.60)
Expenditures				
Culture and Recreation				
Library Board	58,601.06	64,156.40	\$ 68,425.00	\$ (4,268.60)
Total Expenditures	58,601.06	64,156.40	\$ 68,425.00	\$ (4,268.60)
Receipts Over(Under) Expenditures	(68.08)	-		
Unencumbered Cash, Beginning	68.11	0.03		
Unencumbered Cash, Ending	\$ 0.03	\$ 0.03		

CITY OF CANEY, KANSAS
SPECIAL PARKS FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipt				
Local Alcoholic Liquor Tax	\$ 514.82	\$ 1,218.18	\$ 1,495.00	\$ (276.82)
County Alcoholic Liquor Tax	-	946.68	2,700.00	(1,753.32)
Total Receipts	514.82	2,164.86	\$ 4,195.00	\$ (2,030.14)
Expenditures				
Culture and Recreation				
Contractual Services	3,303.24	80.82	\$ 6,000.00	\$ (5,919.18)
Commodities	-	4,053.00	-	4,053.00
Total Expenditures	3,303.24	4,133.82	\$ 6,000.00	\$ (1,866.18)
Receipts Over(Under) Expenditures	(2,788.42)	(1,968.96)		
Unencumbered Cash, Beginning	22,880.77	20,092.35		
Unencumbered Cash, Ending	\$ 20,092.35	\$ 18,123.39		

CITY OF CANEY, KANSAS
EMPLOYEE BENEFITS FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipt				
Ad Valorem Property Tax	\$ 101,383.44	\$ 117,562.59	\$ 127,781.00	\$ (10,218.41)
Delinquent Tax	10,225.48	5,051.13	5,000.00	51.13
Motor Vehicle Tax	17,323.57	13,114.94	12,251.00	863.94
Recreational Vehicle Tax	245.31	176.61	138.00	38.61
16/20M Truck Tax	150.64	213.95	109.00	104.95
Commercial Vehicle Tax	415.34	166.16	590.00	(423.84)
Watercraft Tax	-	33.46	37.00	(3.54)
Other Receipts				
Miscellaneous	143.59	16.62	-	16.62
Total Receipts	129,887.37	136,335.46	\$ 145,906.00	\$ (9,570.54)
Expenditures				
General Government				
Personal Services	108,007.37	141,879.42	\$ 192,255.00	\$ (50,375.58)
Total Expenditures	108,007.37	141,879.42	\$ 192,255.00	\$ (50,375.58)
Receipts Over(Under) Expenditures	21,880.00	(5,543.96)		
Unencumbered Cash, Beginning	7,922.99	29,802.99		
Unencumbered Cash, Ending	\$ 29,802.99	\$ 24,259.03		

CITY OF CANEY, KANSAS
VEHICLE IDENTIFICATION FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
VIN Inspections	\$ 4,220.00	\$ 4,100.00	\$ 4,500.00	\$ (400.00)
Other Receipts				
Miscellaneous	935.00	5.00	300.00	(295.00)
Total Receipts	5,155.00	4,105.00	\$ 4,800.00	\$ (695.00)
Expenditures				
General Government				
Contractual Services	894.31	751.83	\$ 2,300.00	\$ (1,548.17)
Commodities	12,414.40	1,612.14	4,000.00	(2,387.86)
Total Expenditures	13,308.71	2,363.97	\$ 6,300.00	\$ (3,936.03)
Receipts Over(Under) Expenditures	(8,153.71)	1,741.03		
Unencumbered Cash, Beginning	14,614.97	6,461.26		
Unencumbered Cash, Ending	\$ 6,461.26	\$ 8,202.29		

CITY OF CANEY, KANSAS
SPECIAL HIGHWAY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipt				
Motor Fuel Tax	\$ 55,770.79	\$ 54,939.19	\$ 55,150.00	\$ (210.81)
County Gas Tax	9,562.62	9,891.51	8,780.00	1,111.51
Total Receipts	65,333.41	64,830.70	\$ 63,930.00	\$ 900.70
Expenditures				
General Government				
Personal Services	1,103.32	21,496.32	\$ 50,006.00	\$ (28,509.68)
Contractual Services	-	-	5,000.00	(5,000.00)
Commodities	6,977.59	39,093.24	6,500.00	32,593.24
Debt Service				
Capital Lease	9,870.81	13,160.56	22,135.00	(8,974.44)
Total Expenditures	17,951.72	73,750.12	\$ 83,641.00	\$ (9,890.88)
Receipts Over(Under) Expenditures	47,381.69	(8,919.42)		
Unencumbered Cash, Beginning	54,507.40	101,889.09		
Unencumbered Cash, Ending	\$ 101,889.09	\$ 92,969.67		

CITY OF CANEY, KANSAS
MUNICIPAL EQUIPMENT FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ -	\$ -
Total Receipts	-	-
Expenditures		
General Government		
Commodities	1,844.71	1,560.95
Capital Outlay	895.00	-
Debt Service		
Capital Lease	9,719.45	8,971.80
Total Expenditures	12,459.16	10,532.75
Receipts Over(Under) Expenditures	(12,459.16)	(10,532.75)
Unencumbered Cash, Beginning	28,726.62	16,267.46
Unencumbered Cash, Ending	\$ 16,267.46	\$ 5,734.71

CITY OF CANEY, KANSAS
POLICE, FIRE, AND AMBULANCE EQUIPMENT FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year			Variance - Over (Under)
		Actual	Budget		
Receipts					
Taxes and Shared Receipt					
Ad Valorem Property Tax	\$ 23,022.39	\$ 49,806.20	\$ 54,050.00	\$ (4,243.80)	
Delinquent Tax	1,107.20	864.97	400.00	464.97	
Motor Vehicle Tax	1,494.37	2,473.14	2,779.00	(305.86)	
Recreational Vehicle Tax	21.19	30.46	31.00	(0.54)	
16/20M Truck Tax	14.53	18.00	25.00	(7.00)	
Commercial Vehicle Tax	36.25	37.28	134.00	(96.72)	
Watercraft Tax	-	7.60	9.00	(1.40)	
Intergovernmental					
State Grants	19,830.74	10,053.00	-	10,053.00	
Other Receipts					
Donations	10,000.00	-	-	-	
Total Receipts	55,526.67	63,290.65	\$ 57,428.00	\$ 5,862.65	
Expenditures					
General Government					
Contractual Services	501.87	2,765.80	\$ -	\$ 2,765.80	
Commodities	-	-	3,000.00	(3,000.00)	
Capital Outlay	39,731.99	-	49,982.00	(49,982.00)	
Debt Service					
Capital Lease	20,262.73	17,982.04	10,605.00	7,377.04	
Total Expenditures	60,496.59	20,747.84	\$ 63,587.00	\$ (42,839.16)	
Receipts Over(Under) Expenditures	(4,969.92)	42,542.81			
Unencumbered Cash, Beginning	8,941.03	3,971.11			
Unencumbered Cash, Ending	\$ 3,971.11	\$ 46,513.92			

CITY OF CANEY, KANSAS
STREET SALES TAX FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year Actual
Receipts		
Taxes and Shared Receipts		
Sales Tax	\$ 109,177.08	\$ 109,150.12
Total Receipts	109,177.08	109,150.12
Expenditures		
General Government		
Capital Outlay	11,974.06	168,522.78
Total Expenditures	11,974.06	168,522.78
Receipts Over(Under) Expenditures	97,203.02	(59,372.66)
Unencumbered Cash, Beginning	116,051.04	213,254.06
Unencumbered Cash, Ending	\$ 213,254.06	\$ 153,881.40

CITY OF CANEY, KANSAS
NEW LIBRARY BUILDING FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grants	\$ 72,473.51	\$ -
Total Receipts	72,473.51	-
Expenditures		
Other Expenses		
Miscellaneous	200,098.95	1,311.78
Total Expenditures	200,098.95	1,311.78
Receipts Over(Under) Expenditures	(127,625.44)	(1,311.78)
Unencumbered Cash, Beginning	128,937.22	1,311.78
Unencumbered Cash, Ending	\$ 1,311.78	\$ -

CITY OF CANEY, KANSAS
WATER PLANT CAPITAL OUTLAY FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from Water Utility Fund	\$ 957.60	\$ -
Total Receipts	957.60	-
Expenditures		
Capital Outlay		
Contractual Services	1,299.90	-
Commodities	16,500.00	-
Total Expenditures	17,799.90	-
Receipts Over(Under) Expenditures	(16,842.30)	-
Unencumbered Cash, Beginning	16,842.30	-
Unencumbered Cash, Ending	\$ -	\$ -

CITY OF CANEY, KANSAS
NORTHEAST INTERCEPTOR CAPITAL PROJECT FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Loan Proceeds	\$ 61,750.00	\$ 780,061.81
Total Receipts	61,750.00	780,061.81
Expenditures		
Capital Improvements		
Capital Outlay	47,481.36	771,663.83
Total Expenditures	47,481.36	771,663.83
Receipts Over(Under) Expenditures	14,268.64	8,397.98
Unencumbered Cash, Beginning	(22,666.62)	(8,397.98)
Unencumbered Cash, Ending	\$ (8,397.98)	\$ 0.00

CITY OF CANEY, KANSAS
WASTEWATER IMPROVEMENT PROJECT FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Loan Proceeds	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Capital Outlay		
Contractual Services	-	16,804.14
Total Expenditures	-	16,804.14
Receipts Over(Under) Expenditures	-	(16,804.14)
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ (16,804.14)

CITY OF CANEY, KANSAS
GENERAL OBLIGATION BOND AND INTEREST FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year		
		Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Sales Tax	\$ 140,370.49	\$ 140,335.91	\$ 140,000.00	\$ 335.91
Total Receipts	140,370.49	140,335.91	\$ 140,000.00	\$ 335.91
Expenditures				
Debt Service				
Principal	110,000.00	110,000.00	\$ 110,000.00	\$ -
Interest	4,350.00	2,837.50	2,838.00	(0.50)
Operating Transfers to:				
Water Plant Improvement Fund	-	34,000.00	143,500.00	(109,500.00)
Water Principal and Interest Fund	-	24,000.00	-	24,000.00
Total Expenditures	114,350.00	170,837.50	\$ 256,338.00	\$ (85,500.50)
Receipts Over(Under) Expenditures	26,020.49	(30,501.59)		
Unencumbered Cash, Beginning	213,900.94	239,921.43		
Unencumbered Cash, Ending	\$ 239,921.43	\$ 209,419.84		

CITY OF CANEY, KANSAS
WATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Water Charges	\$ 578,110.20	\$ 646,743.14	\$ 698,400.00	\$ (51,656.86)
Connection Fee	6,308.27	10,082.50	1,650.00	8,432.50
Other Receipts				
Miscellaneous	12,140.19	1,738.39	9,500.00	(7,761.61)
Total Receipts	596,558.66	658,564.03	\$ 709,550.00	\$ (50,985.97)
Expenditures				
Administration, Production, and Distribution				
Personal Services	203,947.70	176,391.53	\$ 213,810.00	\$ (37,418.47)
Contractual Services	161,867.74	176,526.94	129,058.00	47,468.94
Commodities	112,164.74	138,518.85	124,138.00	14,380.85
Capital Outlay	-	3,237.90	60,000.00	(56,762.10)
Operating Transfers to:				
Water Principal and Interest Fund	72,200.00	48,500.00	70,170.00	(21,670.00)
Wat. Plt. Memb. Filter Rep. Fund	-	-	16,700.00	(16,700.00)
Water Plant Capital Outlay Fund	957.60	-	-	-
Water Plant Improvement Fund	102,000.00	68,000.00	94,355.00	(26,355.00)
Total Expenditures	653,137.78	611,175.22	\$ 708,231.00	\$ (97,055.78)
Receipts Over(Under) Expenditures	(56,579.12)	47,388.81		
Unencumbered Cash, Beginning	82,060.75	25,481.63		
Unencumbered Cash, Ending	\$ 25,481.63	\$ 72,870.44		

CITY OF CANEY, KANSAS
WATER PLANT IMPROVEMENT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfers from Water Utility Fund	\$ 102,000.00	\$ 68,000.00
General Obligation Bond and Interest Fund	-	34,000.00
Total Receipts	102,000.00	102,000.00
Expenditures		
Debt Services		
Principal	62,734.83	64,860.41
Interest	31,620.03	26,422.11
Commission and Postage	-	3,072.34
Total Expenditures	94,354.86	94,354.86
Receipts Over(Under) Expenditures	7,645.14	7,645.14
Unencumbered Cash, Beginning	48,565.59	56,210.73
Unencumbered Cash, Ending	\$ 56,210.73	\$ 63,855.87

CITY OF CANEY, KANSAS
WATER PRINCIPAL AND INTEREST FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from		
Water Utility Fund	\$ 72,200.00	\$ 48,500.00
General Obligation Bond		
and Interest Fund	-	24,000.00
Total Receipts	72,200.00	72,500.00
Expenditures		
Debt Service		
Principal	55,000.00	55,000.00
Interest	16,380.00	15,170.00
Total Expenditures	71,380.00	70,170.00
Receipts Over(Under) Expenditures	820.00	2,330.00
Unencumbered Cash, Beginning	17,269.38	18,089.38
Unencumbered Cash, Ending	\$ 18,089.38	\$ 20,419.38

CITY OF CANEY, KANSAS
SEWER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Wastewater Charges	\$ 423,500.61	\$ 505,797.92	\$ 541,800.00	\$ (36,002.08)
Other Receipts				
Miscellaneous	15,528.62	57,895.33	-	57,895.33
Total Receipts	439,029.23	563,693.25	\$ 541,800.00	\$ 21,893.25
Expenditures				
Collection and Treatment				
Personal Services	173,136.82	157,005.73	\$ 228,945.00	\$ (71,939.27)
Contractual Services	96,171.68	209,726.70	156,541.00	53,185.70
Commodities	5,016.77	4,629.58	42,542.00	(37,912.42)
Capital Outlay	31,647.60	4,863.56	-	4,863.56
Debt Service				
Capital Lease	-	5,819.07	-	5,819.07
Operating Transfers to:				
Sewer Principal and Interest Fund	143,150.00	150,000.00	146,164.00	3,836.00
Total Expenditures	449,122.87	532,044.64	\$ 574,192.00	\$ (42,147.36)
Receipts Over(Under) Expenditures	(10,093.64)	31,648.61		
Unencumbered Cash, Beginning	40,146.85	30,053.21		
Unencumbered Cash, Ending	\$ 30,053.21	\$ 61,701.82		

CITY OF CANEY, KANSAS
SEWER SYSTEM OPERATING REPLACEMENT FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grants	\$ 13,000.00	\$ 5,806.30
Total Receipts	13,000.00	5,806.30
Expenditures		
General Government		
Contractual Services	14,877.70	4,356.58
Total Expenditures	14,877.70	4,356.58
Receipts Over(Under) Expenditures	(1,877.70)	1,449.72
Unencumbered Cash, Beginning	427.98	(1,449.72)
Unencumbered Cash, Ending	\$ (1,449.72)	\$ -

CITY OF CANEY, KANSAS
SEWER TREATMENT REPLACEMENT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfers from Sewer Utility Fund	\$ -	\$ -
Total Receipts	-	-
Expenditures		
General Government Commodities	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	180.12	180.12
Unencumbered Cash, Ending	\$ 180.12	\$ 180.12

CITY OF CANEY, KANSAS
SEWER PRINCIPAL AND INTEREST FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from Sewer Utility Fund	\$ 143,150.00	\$ 150,000.00
Total Receipts	143,150.00	150,000.00
Expenditures		
Debt Service		
Principal	91,933.95	129,707.63
Interest	11,008.30	16,455.25
Total Expenditures	102,942.25	146,162.88
Receipts Over(Under) Expenditures	40,207.75	3,837.12
Unencumbered Cash, Beginning	30,668.16	70,875.91
Unencumbered Cash, Ending	\$ 70,875.91	\$ 74,713.03

CITY OF CANEY, KANSAS
SOLID WASTE UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Collections	\$ 230,819.36	\$ 225,729.40	\$ 220,000.00	\$ 5,729.40
Other Receipts				
Miscellaneous	-	-	250.00	(250.00)
Total Receipts	230,819.36	225,729.40	\$ 220,250.00	\$ 5,479.40
Expenditures				
Generation and Distribution				
Personal Services	13,820.89	21,029.50	\$ 24,980.00	\$ (3,950.50)
Contractual Services	208,357.60	187,643.20	203,350.00	(15,706.80)
Commodities	5,165.44	2,390.00	6,400.00	(4,010.00)
Total Expenditures	227,343.93	211,062.70	\$ 234,730.00	\$ (23,667.30)
Receipts Over(Under) Expenditures	3,475.43	14,666.70		
Unencumbered Cash, Beginning	27,302.05	30,792.48		
Unencumbered Cash, Ending	\$ 30,777.48	\$ 45,459.18		

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

Funds	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Special Law Enforcement	\$ 2,128.24	\$ -	\$ -	\$ 2,128.24
Fire Insurance Trust	-	-	-	-
	<u>\$ 2,128.24</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,128.24</u>



The Honorable Mayor and City Council
City of Caney, Kansas

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

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

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

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

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 statements. 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, City Council, and others within the City of Caney, 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
June 5, 2018