

**CITY OF CANTON, KANSAS**  
**FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2018**

**CITY OF CANTON, KANSAS**  
**CITY OF THE THIRD CLASS**  
**For the Year Ended December 31, 2018**

Earl Maltbie, Mayor

**CITY COUNCIL**

Gabe Griffith  
Charles Lance

Kandee Prieb  
Terry Gribble

Daniel Parry

**CITY OFFICERS**

Linda Klatt, Clerk  
Mary Jane Lauer, Treasurer

Tim Karstetter, Attorney  
Gary Price Jr., Municipal Judge

Mark Barnett, Chief of Police

**CITY OF CANTON, KANSAS**  
**For the Year Ended December 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Canton, Kansas 67428

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash of the City of Canton, Kansas, a Municipality, as of and for the year ended December 31, 2018 and the related notes to the financial statement.

### *Management's Responsibility for the Financial Statement*

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

### *Auditor's Responsibility*

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

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

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

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

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

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

*sjhl.com*

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### ***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 Canton, Kansas as of December 31, 2018, 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 Canton, Kansas as of December 31, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the 2018 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash (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, and schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the 2018 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 2018 basic financial statement. The 2018 information has been subjected to the auditing procedures applied in the audit of the 2018 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 2018 basic financial statement or to the 2018 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 2018 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 Canton, Kansas as of and for the year ended December 31, 2017 (not presented herein), and have issued our report thereon dated March 30, 2018, which contained an unmodified opinion on the basic financial statement. The 2017 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://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2018 (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 2017 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 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 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 2017 basic financial statement or to the 2017 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 2017 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, 2017, on the basis of accounting described in Note 1.

*Swindoll, Janzen, Hawk & Loyd, LLC*

Swindoll, Janzen, Hawk & Loyd, LLC  
McPherson, Kansas  
April 11, 2019

## CITY OF CANTON, KANSAS

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH****Regulatory Basis**

For the Year Ended December 31, 2018

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
GENERAL FUND:						
General Fund	\$ 407,470	\$ 408,031	\$ 439,543	\$ 375,958	\$ 4,299	\$ 380,257
SPECIAL PURPOSE FUNDS:						
Special City/County Highway Fund	78,550	19,422	13,045	84,927	172	85,099
Special Park and Recreation Fund	13,002	2,989	1,579	14,412	27	14,439
Special Equipment Fund	45,781	3,484	-	49,265	-	49,265
Total Special Purpose Funds	137,333	25,895	14,624	148,604	199	148,803
BOND AND INTEREST FUND:						
Bond and Interest Fund	14,910	67,280	55,193	26,997	-	26,997
CAPITAL PROJECT FUND:						
Capital Improvement Fund - Streets	6,415	-	-	6,415	-	6,415
BUSINESS FUNDS:						
Sewer Fund	143,896	102,972	87,382	159,486	298	159,784
Water Fund	349,744	130,548	378,260	102,032	1,788	103,820
Trash Fund	7,252	54,822	48,639	13,435	4,063	17,498
Total Business Funds	500,892	288,342	514,281	274,953	6,149	281,102
Total Reporting Entity (Excluding Agency Funds)	\$ 1,067,020	\$ 789,548	\$ 1,023,641	\$ 832,927	\$ 10,647	\$ 843,574
COMPOSITION OF CASH:						
Cash on Hand						\$ 100
Checking Account - State Bank of Canton						520,298
Money Market Account - Citizens State Bank						229,940
Certificates of Deposit - Citizens State Bank						99,414
Total Cash						849,752
Less Agency Funds per Schedule 3						(6,178)
Total Reporting Entity (Excluding Agency Funds)						\$ 843,574

# CITY OF CANTON, KANSAS

## NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **(a) *Municipal Financial Reporting Entity***

The City of Canton is a municipal corporation governed by an elected mayor and elected five-member council. The financial statement presents the City of Canton (the municipality). The City does not have any related municipal entities.

#### **(b) *Regulatory Basis Fund Types***

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

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

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

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

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

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

#### **(c) *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 City to use the regulatory basis of accounting.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

### ***(d) Budgetary Information***

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Purpose Funds (unless specifically exempted by statute), Bond and Interest Funds and Business Funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

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 was one budget amendment for 2018.

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

All legal annual operating budgets are prepared using the regulatory 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 budget expenditure authority lapses at year end.

A legal operating budget is not required for Capital Project Funds, Agency Funds, Trust Funds and certain Special Purpose Funds as noted in the presentation of the appropriate Schedule 2.

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

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### ***Compliance with Kansas Statutes***

No statutory violations noted in 2018.

## **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 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 banks 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.



### 3. DEPOSITS AND INVESTMENTS (CONT.)

*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, 2018.

At December 31, 2018, the City's carrying amount of deposits was \$849,652 and the bank balance was \$860,549. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance and the remaining \$360,549 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

### 4. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2018, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Kansas Water Pollution Control Revolving Loan	2.73%	07-27-04	\$ 288,228	03-01-26	\$ 141,459	\$ -	\$ 14,856	\$ 126,603	\$ 4,105
General Obligation Bonds Series 2013	1.00 - 3.25%	05-23-13	520,000	10-01-33	440,000	-	20,000	420,000	11,300
General Obligation Bonds Series 2014	1.90 - 2.90%	05-29-14	218,000	12-01-24	160,000	-	20,000	140,000	3,893
General Obligation Bonds Series 2017	2.25 - 4.00%	09-01-17	220,000	08-01-32	220,000	-	10,000	210,000	6,279
First Street Water Line Lease	3.85%	01-28-16	115,000	02-01-21	75,407	-	22,829	52,578	2,503
Total Contractual Indebtedness					\$ 1,036,866	\$ -	\$ 87,685	\$ 949,181	\$ 28,080

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

	Year								Total
	2019	2020	2021	2022	2023	2024 to 2028	2029 to 2033	NEED?	
PRINCIPAL:									
Kansas Water Pollution Control Revolving Loan	\$ 15,302	\$ 15,762	\$ 16,235	\$ 16,722	\$ 17,225	\$ 45,357	\$ -	\$ -	\$ 126,603
General Obligation Bonds Series 2013	25,000	25,000	25,000	25,000	25,000	135,000	160,000	-	420,000
General Obligation Bonds Series 2014	20,000	20,000	25,000	25,000	25,000	25,000	-	-	140,000
General Obligation Bonds Series 2017	10,000	10,000	15,000	15,000	15,000	75,000	70,000	-	210,000
First Street Water Line Lease	23,724	24,653	4,201	-	-	-	-	-	52,578
TOTAL PRINCIPAL	94,026	95,415	85,436	81,722	82,225	280,357	230,000	-	949,181
INTEREST:									
Kansas Water Pollution Control Revolving Loan	3,660	3,200	2,727	2,239	1,738	2,047	-	-	15,611
General Obligation Bonds Series 2013	11,100	10,663	10,225	9,787	9,350	37,100	15,862	-	104,087
General Obligation Bonds Series 2014	3,393	2,943	2,562	2,012	1,400	725	-	-	13,035
General Obligation Bonds Series 2017	6,450	6,050	5,650	5,050	4,450	16,925	5,900	-	50,475
First Street Water Line Lease	1,608	679	20	-	-	-	-	-	2,307
TOTAL INTEREST	26,211	23,535	21,184	19,088	16,938	56,797	21,762	-	185,515
TOTAL PRINCIPAL AND INTEREST	\$ 120,237	\$ 118,950	\$ 106,620	\$ 100,810	\$ 99,163	\$ 337,154	\$ 251,762	\$ -	\$ 1,134,696

## 5. DEFINED BENEFIT 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 publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

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

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.39% for the fiscal year ended December 31, 2018. Contributions to the pension plan from the City were \$12,663 for the year ended December 31, 2018.

**Net Pension Liability.** At December 31, 2018, the City's proportionate share of the collective net pension liability reported by KPERS was \$116,646. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The City'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 non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial 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](http://www.kpers.org) or can be obtained as described above.

## 6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

### ***(a) Other Post Employment Benefits***

As provided by K.S.A. 12-5040, the City 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 this financial statement.

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.

### ***(b) Death and Disability Other Post Employment Benefits***

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

## 6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (CONT.)

### **(c) Other Employee Benefits**

Vacation – Vacation leave if not taken shall not accrue from year to year. No vacation leave shall be taken until a new employee has completed one year of continuous service. Employees may use vacation leave in units of not less than one hour. Upon retirement, discharge, dismissal, or other circumstances of separation of an employee from his employment with the City, the City, in its discretion, may pay to such employee the value of any earned but unused vacation leave.

Each permanent full-time employee will accrue vacation leave as follows:

<u>Years of Service</u>	<u>Per Year</u>
After 1 year	40 working hours
After 2 years	80 working hours
After 6 years	120 working hours
After 15 years	160 working hours

Other employees shall not receive vacation leave.

Sick leave – All full-time employees and part-time employee who work at least 20 hours or more per week, shall be entitled to sick leave with pay for absences resulting from personal illness, injuries, accidents or other physical incapacities, occurring either on or off the job. Sick leave, if not taken, shall accrue to no more than 720 hours at the end of each year. All excess sick days not used by the end of the year will be forfeited. Upon termination, no employee will be compensated for unused sick leave.

Amount of sick leave - Eligible employees shall earn eight hours of sick leave for each full month of service. Other employees shall not have paid sick leave.

## 7. OTHER RELATIONSHIPS

### ***McPherson Area Solid Waste Utility***

The City along with McPherson County and seven other cities located within McPherson County entered into an interlocal agreement, authorized by State Statute, to form the McPherson Area Solid Waste Utility (the Utility) effective July 17, 1991. The purpose of the Utility is to assist its Members in planning, technical and financial matters for comprehensive solid waste management and accomplish the desired objectives of an effective county-wide solid waste management program, including the operation of a cooperative solid waste management program and the operation of a cooperative solid waste processing and disposal system for the benefit of its Members.

Management of the Utility is carried out by an appointed three member Board of Directors. The City of McPherson appoints one member to the Board of Directors, McPherson County appoints a second Director and the third Director is appointed collectively by the other seven Members of the Utility.

The agreement and the Utility may be terminated by written consent of at least two-thirds of the Members, provided that prior to such termination all contractual obligations and indebtedness of the Utility have been paid in full or sufficient resources have been escrowed for the payment of such obligations in full when due. Upon such termination, the Board of Directors shall liquidate the Utility and distribute the assets in a manner that, in its discretion, it deems appropriate. Accordingly, any ongoing financial interest or access to the Utility's resources is indeterminable until such action is taken by its Board of Directors. In addition, no Member shall be permitted to withdraw for twenty years or such sooner time as provision is made for the payment or discharge of the debt incurred by the County or assumed by the Utility. Any withdrawing Member shall not be entitled to distribution of any real or personal property of the Utility by reason of its withdrawal.

## 7. OTHER RELATIONSHIPS (CONT.)

### *McPherson Area Solid Waste Utility (Cont.)*

The Board of Directors shall determine the methods of obtaining financing for the Utility. The County provided the initial financing for the acquisition of land to be used as a site for disposal of refuse, constructing structures and acquiring equipment necessary for the sanitary disposal of refuse in McPherson County. Effective January 1, 1992, the fiscal accounting and operations of the Utility were transferred from McPherson County to management of the Utility.

Financial information of the McPherson Area Solid Waste Utility is not included in this report. Complete financial statements may be obtained from the administrative offices of the entity at 1431 17th Ave, McPherson, Kansas 67460.

## 8. CLAIMS AND JUDGMENTS

The City participates in federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of the date of this report, the grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2017 to 2018 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations, the City is a party to various claims, legal actions and complaints. It is the opinion of the City's management and legal counsel that these matters are not anticipated to have a material impact on the City.

## 9. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
Water	General	K.S.A. 12-825d	\$ 32,500

## 10. SUBSEQUENT EVENTS

Management has evaluated the effects on the financial statement of subsequent events occurring through the date of this report, which is the date at which the financial statement was available to be issued.

**CITY OF CANTON, KANSAS**  
**REGULATORY - REQUIRED**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

## CITY OF CANTON, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

(Budgeted Funds Only)

For the Year Ended December 31, 2018

	<u>Certified Budget</u>	<u>Adjustment for for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
GENERAL FUND:					
General Fund	\$ 681,515	\$ -	\$ 681,515	\$ 439,543	\$ (241,972)
SPECIAL PURPOSE FUNDS:					
Special City/County Highway Fund	98,144	-	98,144	13,045	(85,099)
Special Park and Recreation Fund	15,510	-	15,510	1,579	(13,931)
Special Equipment Fund	78,115	-	78,115	-	(78,115)
BOND AND INTEREST FUND:					
Bond and Interest Fund	90,938	-	90,938	55,193	(35,745)
BUSINESS FUNDS:					
Sewer Fund	229,928	-	229,928	87,382	(142,546)
Water Fund	499,494	-	499,494	378,260	(121,234)
Trash Fund	66,000	-	66,000	48,639	(17,361)

**CITY OF CANTON, KANSAS**

**GENERAL FUND**

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**Regulatory Basis**

**For the Year Ended December 31, 2018**

**(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)**

		<b>2018</b>		<b>Variance -</b>
	<b>2017</b>	<b>Actual</b>	<b>Budget</b>	<b>Over</b>
	<b>Actual</b>			<b>(Under)</b>
Receipts				
Taxes -				
Ad valorem property tax	\$ 108,672	\$ 131,313	\$ 139,573	\$ (8,260)
Delinquent tax	7,219	10,499	1,500	8,999
Motor vehicle tax	26,651	10,993	16,225	(5,232)
Recreational vehicle tax	487	517	271	246
16/20M vehicle tax	-	15	86	(71)
Commercial vehicle tax	263	6,830	229	6,601
Watercraft tax	-	-	114	(114)
Intangible tax	-	-	523	(523)
Local alcoholic liquor tax	2,345	2,989	2,496	493
Local sales tax	91,019	90,749	90,000	749
Special assessments	607	-	500	(500)
Sales tax for streets	70,174	58,330	60,000	(1,670)
Total Taxes	307,437	312,235	311,517	718
Licenses and Permits -				
City licenses	1,645	1,280	1,000	280
Building permits	225	60	-	60
Utility franchise fees	28,261	29,869	28,000	1,869
Total Licenses and Permits	30,131	31,209	29,000	2,209
Charges for Services -				
Swimming pool	4,023	4,684	3,500	1,184
Fines, Forfeitures and Penalties -				
Police fines	12,581	11,191	5,000	6,191
Use of Money and Property -				
Interest income	1,520	1,620	1,300	320
Other -				
Donations	610	500	-	500
Economic development	1,224	1,217	-	1,217
Miscellaneous	7,864	8,998	4,000	4,998
Reimbursed expenses	4,952	2,502	-	2,502
Community center rent	1,745	1,375	1,200	175
Transfer from Water Fund	-	32,500	-	32,500
Total Other	16,395	47,092	5,200	41,892
Total Receipts	372,087	408,031	\$ 355,517	\$ 52,514

CITY OF CANTON, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

		2018		
	2017	Actual	Budget	Variance -
	Actual			Over
				(Under)
Expenditures				
Administrative -				
Personal services	\$ 98,702	\$ 105,402	\$ 109,000	\$ (3,598)
Contractual services	60,358	64,882	93,000	(28,118)
Commodities	16,679	12,711	13,000	(289)
Capital outlay	8,900	61,919	20,000	41,919
Community center	3,289	1,161	3,800	(2,639)
Transfer to Special Equipment Fund	-	-	10,000	(10,000)
Total Administrative	187,928	246,075	248,800	(2,725)
Police -				
Personal services	61,528	66,237	62,000	4,237
Contractual services	4,974	4,346	10,000	(5,654)
Commodities	7,714	6,245	9,000	(2,755)
Capital outlay	651	-	26,000	(26,000)
Radio's	-	5,026	8,000	(2,974)
Total Police	74,867	81,854	115,000	(33,146)
Street -				
Contractual services	9,336	4,274	10,000	(5,726)
Commodities	8,943	1,479	20,000	(18,521)
Total Street	18,279	5,753	30,000	(24,247)
Street Lights -				
Commodities	18,636	15,814	10,000	5,814
Park and Recreation -				
Contractual services	2,953	4,584	-	4,584
McMurray Ball Park -				
Personal services	2,694	2,691	2,400	291
Contractual services	4,512	3,710	2,000	1,710
Total McMurray Ball Park	7,206	6,401	4,400	2,001
Fire Department -				
Contractual services	3,930	4,057	4,057	-



## CITY OF CANTON, KANSAS

### GENERAL FUND

#### SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

##### Regulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

		<u>2018</u>		<u>Variance - Over (Under)</u>
	<u>2017 Actual</u>	<u>Actual</u>	<u>Budget</u>	
Expenditures (cont.)				
Swimming Pool -				
Personal services	\$ 14,148	\$ 17,876	\$ 20,000	\$ (2,124)
Contractual services	-	3,891	-	3,891
Commodities	7,436	18,238	15,000	3,238
Capital outlay	-	35,000	35,000	-
Total Swimming Pool	<u>21,584</u>	<u>75,005</u>	<u>70,000</u>	<u>5,005</u>
Other -				
Cash forward	-	-	199,258	(199,258)
Total Expenditures	<u>335,383</u>	<u>439,543</u>	<u>\$ 681,515</u>	<u>\$ (241,972)</u>
Receipts Over (Under) Expenditures	36,704	(31,512)		
Unencumbered Cash, Beginning	<u>370,766</u>	<u>407,470</u>		
Unencumbered Cash, Ending	<u>\$ 407,470</u>	<u>\$ 375,958</u>		

## CITY OF CANTON, KANSAS

SPECIAL PURPOSE FUNDSPECIAL CITY/COUNTY HIGHWAY FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2017 Actual	2018		Variance - Over (Under)
		Actual	Budget	
Receipts				
State of Kansas gas tax	\$ 19,379	\$ 19,422	\$ 19,950	\$ (528)
Expenditures				
Street maintenance	3,983	5,545	\$ 50,000	\$ (44,455)
Capital outlay	-	7,500	-	7,500
Cash forward	-	-	48,144	(48,144)
Total Expenditures	3,983	13,045	\$ 98,144	\$ (85,099)
Receipts Over (Under) Expenditures	15,396	6,377		
Unencumbered Cash, Beginning	63,154	78,550		
Unencumbered Cash, Ending	\$ 78,550	\$ 84,927		

## CITY OF CANTON, KANSAS

SPECIAL PURPOSE FUNDSPECIAL PARK AND RECREATION FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2017 Actual	2018		Variance - Over (Under)
		Actual	Budget	
Receipts				
Local alcoholic liquor tax	\$ 2,345	\$ 2,989	\$ 2,496	\$ 493
Expenditures				
Commodities	1,449	1,579	\$ 5,000	\$ (3,421)
Cash forward	-	-	10,510	(10,510)
Total Expenditures	1,449	1,579	\$ 15,510	\$ (13,931)
Receipts Over (Under) Expenditures	896	1,410		
Unencumbered Cash, Beginning	12,106	13,002		
Unencumbered Cash, Ending	\$ 13,002	\$ 14,412		

## CITY OF CANTON, KANSAS

SPECIAL PURPOSE FUNDSPECIAL EQUIPMENT FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

		<u>2018</u>		<u>Variance -</u>
	<u>2017</u>	<u>Actual</u>	<u>Budget</u>	<u>Over</u>
	<u>Actual</u>			<u>(Under)</u>
Receipts				
Transfer from General Fund	\$ -	\$ -	\$ 10,000	\$ (10,000)
Transfer from Water Fund	-	-	5,000	(5,000)
Transfer from Sewer Fund	-	-	5,000	(5,000)
Miscellaneous	3,666	3,484	3,000	484
Total Receipts	3,666	3,484	\$ 23,000	\$ (19,516)
Expenditures				
Capital outlay	-	-	\$ 10,000	\$ (10,000)
Maintenance tools	-	-	10,000	(10,000)
2016 Ford F250	-	-	30,000	(30,000)
Cash forward	-	-	28,115	(28,115)
Total Expenditures	-	-	\$ 78,115	\$ (78,115)
Receipts Over (Under) Expenditures	3,666	3,484		
Unencumbered Cash, Beginning	42,115	45,781		
Unencumbered Cash, Ending	\$ 45,781	\$ 49,265		

## CITY OF CANTON, KANSAS

BOND AND INTEREST FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2017 Actual	2018		Variance - Over (Under)
		Actual	Budget	
Receipts				
Ad valorem tax	\$ 70,803	\$ 56,646	\$ 60,000	\$ (3,354)
Delinquent tax	-	1,908	-	1,908
Motor vehicle tax	-	8,390	10,485	(2,095)
Recreational vehicle tax	-	252	175	77
16/20M vehicle tax	-	7	56	(49)
Commercial vehicle tax	-	77	148	(71)
Watercraft tax	-	-	74	(74)
Total Receipts	70,803	67,280	\$ 70,938	\$ (3,658)
Expenditures				
2013 GO Bond Principal - Streets	20,000	20,000	\$ 20,000	\$ -
2013 GO Bond Interest - Streets	11,500	11,300	11,300	-
2014 GO Bond Principal - Streets	20,000	20,000	20,000	-
2014 GO Bond Interest - Streets	4,393	3,893	3,893	-
Cash forward	-	-	35,745	(35,745)
Total Expenditures	55,893	55,193	\$ 90,938	\$ (35,745)
Receipts Over (Under) Expenditures	14,910	12,087		
Unencumbered Cash, Beginning	-	14,910		
Unencumbered Cash, Ending	\$ 14,910	\$ 26,997		

## CITY OF CANTON, KANSAS

CAPITAL PROJECT FUNDCAPITAL IMPROVEMENT FUND - STREETSSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUALRegulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	<u>2017 Actual</u>	<u>2018 Actual</u>
Receipts	\$ -	\$ -
Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>6,415</u>	<u>6,415</u>
Unencumbered Cash, Ending	<u>\$ 6,415</u>	<u>\$ 6,415</u>

## CITY OF CANTON, KANSAS

BUSINESS FUNDSEWER FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

		<u>2018</u>		<u>Variance -</u>
	<u>2017</u>	<u>Actual</u>	<u>Budget</u>	<u>Over</u>
	<u>Actual</u>			<u>(Under)</u>
Receipts				
Sales to customers	\$ 97,492	\$ 102,787	\$ 100,000	\$ 2,787
Interest income	138	185	200	(15)
Miscellaneous	-	-	400	(400)
Total Receipts	<u>97,630</u>	<u>102,972</u>	<u>\$ 100,600</u>	<u>\$ 2,372</u>
Expenditures				
Personal services	48,633	52,089	\$ 50,000	\$ 2,089
Contractual services	20,318	13,713	27,000	(13,287)
Commodities	1,731	2,618	5,000	(2,382)
Capital outlay	-	-	10,000	(10,000)
Miscellaneous	-	-	220	(220)
Sewer house	-	-	15,000	(15,000)
Revolving Loan Principal	14,423	14,856	14,856	-
Revolving Loan Interest	4,539	4,106	4,106	-
Transfer to Special Equipment Fund	-	-	5,000	(5,000)
Cash forward	-	-	98,746	(98,746)
Total Expenditures	<u>89,644</u>	<u>87,382</u>	<u>\$ 229,928</u>	<u>\$ (142,546)</u>
Receipts Over (Under) Expenditures	7,986	15,590		
Unencumbered Cash, Beginning	<u>135,910</u>	<u>143,896</u>		
Unencumbered Cash, Ending	<u>\$ 143,896</u>	<u>\$ 159,486</u>		

## CITY OF CANTON, KANSAS

BUSINESS FUNDWATER FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	2018			
	2017	Actual	Budget	Variance - Over (Under)
Receipts				
Sales to customers	\$ 118,671	\$ 130,363	\$ 147,000	\$ (16,637)
Meter hookups/connection fees	-	-	1,700	(1,700)
Interest income	132	185	-	185
Sales tax	-	-	900	(900)
Reimbursements	4,000	-	-	-
GO bond proceeds	217,800	-	-	-
Miscellaneous	2,922	-	150	(150)
Total Receipts	343,525	130,548	\$ 149,750	\$ (19,202)
Expenditures				
Personal services	48,633	52,089	\$ 52,000	\$ 89
Contractual services	50,936	222,790	235,000	(12,210)
Commodities	29,040	29,270	35,000	(5,730)
Capital outlay	-	-	5,000	(5,000)
Bobcat Excavator down payment	-	-	5,100	(5,100)
First Street Water Line Lease Principal	20,170	22,829	25,331	(2,502)
First Street Water Line Lease Interest	3,052	2,503	-	2,503
GO Bond Principal	-	10,000	16,279	(6,279)
GO Bond Interest	-	6,279	-	6,279
Miscellaneous	-	-	1,600	(1,600)
Transfer to General Fund	-	32,500	32,500	-
Transfer to Special Equipment Fund	-	-	5,000	(5,000)
Cash forward	-	-	86,684	(86,684)
Total Expenditures	151,831	378,260	\$ 499,494	\$ (121,234)
Receipts Over (Under) Expenditures	191,694	(247,712)		
Unencumbered Cash, Beginning	158,050	349,744		
Unencumbered Cash, Ending	\$ 349,744	\$ 102,032		



## CITY OF CANTON, KANSAS

BUSINESS FUNDTRASH FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

		<u>2018</u>		
	<u>2017</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance -</u>
	<u>Actual</u>			<u>Over</u>
				<u>(Under)</u>
Receipts				
Sales to customers	\$ 53,890	\$ 54,822	\$ 56,000	\$ (1,178)
Expenditures				
Contractual services	46,638	48,639	\$ 48,200	\$ 439
Cash forward	-	-	17,800	(17,800)
Total Expenditures	46,638	48,639	\$ 66,000	\$ (17,361)
Receipts Over (Under) Expenditures	7,252	6,183		
Unencumbered Cash, Beginning	-	7,252		
Unencumbered Cash, Ending	\$ 7,252	\$ 13,435		

## CITY OF CANTON, KANSAS

AGENCY FUNDSSCHEDULE OF RECEIPTS AND DISBURSEMENTSRegulatory Basis

For the Year Ended December 31, 2018

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash Balance</u>
Payroll Clearing Fund	\$ 4,504	\$ 205,580	\$ 205,647	\$ 4,437
Sales Tax Clearing Fund	320	1,262	1,274	308
Overpayment Deposit Clearing Fund	308	6,230	5,105	1,433
Penalty Clearing Fund	1,988	4,278	6,266	-
Total	<u>\$ 7,120</u>	<u>\$ 217,350</u>	<u>\$ 218,292</u>	<u>\$ 6,178</u>