

**CITY OF CHERRYVALE, KANSAS**

Financial Statement and  
Independent Auditors' Report with  
Supplemental Information

For the Year Ended December 31, 2012

**CITY OF CHERRYVALE, KANSAS**

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**JARRED, GILMORE & PHILLIPS, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Council  
City of Cherryvale, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Cherryvale, Kansas, a municipality, as of and for the year ended December 31, 2012, 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 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Cherryvale, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Cherryvale, Kansas as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

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 Cherryvale, Kansas as of December 31, 2012, 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.

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



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

July 1, 2013  
Chanute, Kansas

**CITY OF CHERRYVALE, KANSAS**  
 Summary Statement of Receipts, Expenditures, and Unencumbered Cash  
 Regulatory Basis  
 For the Year Ended December 31, 2012

Funds	Beginning Unencumbered Cash Balances		Receipts	Expenditures	Ending Unencumbered Cash Balances		Add Encumbrances and Accounts Payable	Cash Balance December 31, 2012
	\$				\$			
General	\$ 225,654.94		\$ 1,625,109.78	\$ 1,563,228.91	\$ 287,535.81	\$ 55,009.16	\$	\$ 342,544.97
Special Purpose Funds:								
Library	2,507.79		43,130.96	45,078.92	559.83	-		559.83
Special Parks and Recreation	21,886.41		1,549.63	9,053.73	14,382.31	226.33		14,608.64
Special Highway	43,123.58		99,538.39	113,352.34	29,309.63	7,001.28		36,310.91
Small Grants	-		37,050.00	37,050.00	-	-		-
Capital Improvements Reserve	107,430.34		160,353.99	267,784.33	64,918.91	155,622.62		155,622.62
Municipal Equipment Reserve	154,777.91		204,289.00	294,148.00	4,472.83	-		64,918.91
HAZ Sub Brownfields Grant	-		26,757.33	22,284.50	14,444.27	-		4,472.83
Petroleum Brownfields Grant	-		35,819.34	21,375.07	14,444.27	-		14,444.27
KAN STEP Grant	(33,368.69)		118,000.00	163,830.19	(79,198.88)	4,072.03		(75,126.85)
RBEG Loan	29,400.00		57,199.33	23,333.33	63,266.00	-		63,266.00
KHRC Homes Grant	(700.00)		7,554.00	35.00	6,819.00	-		6,819.00
Bond and Interest Funds:								
Bond and Interest	-		269,880.68	258,007.66	11,873.02	-		11,873.02
Business Funds:								
Water Utility	490,774.21		624,661.03	665,392.27	450,042.97	31,524.33		481,567.30
Sewer Utility	458,566.04		360,802.61	408,217.58	411,151.07	6,803.77		417,954.84
Refuse Utility	7,622.45		130,991.42	127,151.42	11,462.45	1,199.85		12,662.30
Trust Funds:								
Cemetery	1,713.79		-	-	1,713.79	-		1,713.79
Total Reporting Entity (Excluding Agency Funds)	\$ 1,509,388.77		\$ 3,802,687.49	\$ 4,019,323.25	\$ 1,292,753.01	\$ 261,459.37	\$	\$ 1,554,212.38

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

**Statement 1 (Continued)**

**CITY OF CHERRYVALE, KANSAS**  
 Summary Statement of Receipts, Expenditures, and Unencumbered Cash  
 Regulatory Basis  
 For the Year Ended December 31, 2012

	Cash Balance December 31,  <u>2012</u>
Total Cash to be Accounted for:	<u>\$ 1,554,212.38</u>
Composition of Cash:	
Cash on Hand .....	\$ 300.00
Checking Accounts:	
Petty Cash Checking .....	1,250.00
CNB Operating Account .....	224,533.12
CNB Money Market.....	1,215,319.96
Fire/FEMA Operating Account.....	1,212.95
Rural Business Enterprise Grant Account.....	86,599.33
Firefighters Auxiliary Fund Account .....	4,109.67
Volunteer Firefighters Fund Account .....	199.57
Firefighters Flag Fund Account .....	601.04
FSA Fund Account .....	901.34
Police Explorers Fund Account .....	170.00
Investments:	
Certificates of Deposit .....	25,000.00
State Municipal Investment Pool .....	<u>2.02</u>
Total Cash	1,560,199.00
Agency Funds Per Schedule 3 .....	<u>(5,986.62)</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 1,554,212.38</u>

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

## CITY OF CHERRYVALE, KANSAS

Notes to the Financial Statement  
For the Year Ended December 31, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of Cherryvale, 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 generally accepted accounting principles.

#### Financial Reporting Entity

The City of Cherryvale, Kansas, is a municipal corporation governed by an elected mayor and four council members. This financial statement presents the City of Cherryvale.

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

Cherryvale Public Library – The City of Cherryvale, Kansas, Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Bond issuances must also be approved by the City. The City levies taxes for the Library Board and significantly influences the Library's operations. Separate internal financial statements are available at the Library.

#### Cherryvale Firefighters Relief Association

The Firefighters Relief Association is operated by the City's firefighters. Officers are elected by the firefighters. The Firemen's Relief Association is housed in the City's offices but is operated independent of the City's governing body. Separate internal financial statements are available at the Firefighters Relief Association.

#### Cherryvale Housing Authority

The Cherryvale Housing Authority operates the City's housing projects. The Cherryvale Housing Authority can sue and be sued, and can buy, sell, or lease real property. Bond ordinances must be approved by the City. Separate internal audited financial statements are available at the Housing Authority.

#### 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 Cherryvale, Kansas, for the year of 2012:

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Regulatory Basis Fund Types (Continued)

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.

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.)

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 (payroll clearing fund, county treasurer tax collection account, 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 revenues 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.

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.

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

### Pension Plan

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

### 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.

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

### 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 1.
2. Publication in local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

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

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.

**2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY** (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 project funds, trust funds, and the following special purpose funds:

- Special Law Enforcement Fund
- Community Development Block Grant Fund
- FEMA Fire Department Grant Fund
- Small Grants Fund
- Capital Improvements Reserve Fund
- Municipal Equipment Reserve Fund
- HAZ SUB Brownfields Grant Fund
- Petroleum Brownfields Grant Fund
- KAN Step Grant Fund
- RBEG Loan Fund
- KHRC Infrastructure Grant Fund
- KHRC Home Grant Fund

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.

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. 10-1,113. The City has obligated expenditures in excess of available monies in the KAN STEP Grant Fund, however, K.S.A 10-1,116 provides that under certain situations, the fund can end the year with a negative unencumbered cash balance and therefore, exempt from the cash basis laws of the State of Kansas. This fund met the criteria under the statutes and therefore, is deemed not to be in violation of the Kansas cash basis law. As shown in Schedule 1, the City was in compliance with Kansas budget laws.

**3. DEPOSITS AND INVESTMENTS**

As of December 31, 2012, the City had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in Years)		Rating
		Less than 1	1 - 2	
Kansas Investment Pool	\$ 2.02	\$ 2.02	\$ - -	S&P AAf/S1+

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.

### **3. DEPOSITS AND INVESTMENTS**

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. The rating of the City's investments is noted above.

*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. The City's allocation of investments as of December 31, 2012, is as follows:

<u>Investments</u>	<u>Percentage of Investments</u>
Kansas Municipal Investment Pool	100%

*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, 2012.

*Deposits:* At year-end, the City's carrying amount of deposits was \$1,559,896.98 and the bank balance was \$1,607,501.06. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$369,968.90 was covered by FDIC insurance, and \$1,237,532.16 was collateralized with pledged 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.

At December 31, 2012, the City has invested \$2.02 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

#### **4. CAPITAL LEASE OBLIGATIONS**

The City has entered into a capital lease agreement in order to finance the acquisition of a Chair Lift for the Library. Payments are made semi-annually, including interest at approximately 4.74%. Final maturity of the lease is June 11, 2017. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2013	\$ 12,492.94
2014	12,492.94
2015	12,492.94
2016	12,492.94
2017	<u>1,270.17</u>
	51,241.93
Less imputed interest	<u>(5,436.82)</u>
Net Present Value of Minimum	
Lease Payments	45,805.11
Less: Current Maturities	<u>(10,330.22)</u>
Long-Term Capital Lease Obligations	<u>\$ 35,474.89</u>

The City has entered into a capital lease agreement in order to finance the acquisition of a 2012 Chevrolet Ambulance. Payments are made annually, including interest at approximately 3.20%. Final maturity of the lease is March 1, 2016. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2013	\$ 37,087.41
2014	37,087.41
2015	37,087.41
2016	<u>37,087.41</u>
	148,349.64
Less imputed interest	<u>(11,148.05)</u>
Net Present Value of Minimum	
Lease Payments	137,201.59
Less: Current Maturities	<u>(32,697.31)</u>
Long-Term Capital Lease Obligations	<u>\$ 104,504.28</u>

## 5. LONG-TERM DEBT COMMITMENTS

Changes in long-term debt commitments for the City for the year ended December 31, 2012, 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 Tax Levies and Utility Revenues:									
Water System Refunding Bonds Series 2001	2.80%-4.90%	November 1, 2001	\$ 615,000.00	August 1, 2016	\$ 245,000.00	-	\$ (45,000.00)	\$ 200,000.00	\$ 11,520.00
Sewer System Bonds Series 2003	4.25%	September 16, 2003	1,504,900.00	September 23, 2043	1,366,136.00	-	(20,824.00)	1,345,312.00	58,060.78
Sewer System Bonds Series 2007	4.13%	May 7, 2007	1,480,000.00	May 7, 2047	1,415,709.50	-	(17,647.99)	1,398,061.51	58,398.02
Revolving Loans									
Water Supply Loan - KPWSL No. 2553	3.82%	June 22, 2009	644,591.25	August 1, 2030	624,134.50	-	(22,175.93)	601,958.57	24,377.19
Capital Leases:									
2007 Fire Truck	4.80%	January 11, 2007	249,890.00	January 11, 2012	54,807.56	-	(54,807.56)	-	2,647.67
Library Chair Lift	4.74%	October 16, 2009	91,900.00	June 11, 2018	55,517.75	-	(9,712.64)	45,805.11	2,780.30
Ambulance	3.20%	March 1, 2012	174,289.00	March 1, 2016	-	174,289.00	(37,087.41)	137,201.59	-
Total Long Term Debt Commitments					\$ 3,761,305.31	\$ 174,289.00	\$ (207,255.53)	\$ 3,728,338.78	\$ 157,783.96

### 5. LONG-TERM DEBT COMMITMENTS (Continued)

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

Issue	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	2043-2046	Total
<b>Principal</b>												
General Obligation Bonds:												
Water System Refunding Bonds Series 2001	\$ 50,000.00	\$ 50,000.00	\$ 55,000.00	\$ 45,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,000.00
Sewer System Bonds Series 2003	21,709.00	22,631.00	23,593.00	24,596.00	25,641.00	145,508.00	179,171.00	220,622.00	271,661.00	334,511.00	75,669.00	1,345,312.00
Sewer System Bonds Series 2007	18,535.96	19,300.57	20,096.72	20,774.26	21,782.65	123,002.54	150,559.92	184,193.50	225,601.47	276,153.16	338,060.76	1,398,061.51
Revolving Loans												
Water Supply Loan	23,783.29	24,700.48	25,653.05	26,642.35	27,669.82	155,202.51	187,528.25	130,778.82	-	-	-	601,958.57
Capital Leases												
Ambulance	32,697.31	33,743.54	34,823.25	35,937.49	-	-	-	-	-	-	-	137,201.59
Library Chair Lift	10,330.22	10,853.19	11,402.63	11,979.88	1,239.19	-	-	-	-	-	-	45,805.11
Total Principal Payments	157,055.78	161,228.78	170,568.65	164,929.98	76,332.66	423,713.05	517,259.17	535,594.32	497,262.47	610,664.16	413,729.76	3,728,338.78
<b>Interest</b>												
General Obligation Bonds:												
Water System Refunding Bonds Series 2001	9,495.00	7,591.00	4,845.00	2,205.00	-	-	-	-	-	-	-	24,136.00
Sewer System Bonds Series 2003	57,175.76	56,253.13	55,291.31	54,288.61	53,243.28	248,913.88	215,251.07	173,800.47	122,760.45	59,912.38	3,215.93	1,100,106.27
Sewer System Bonds Series 2007	57,670.04	56,905.43	56,109.28	55,280.29	54,423.35	257,886.05	230,340.48	196,621.36	155,348.30	104,819.16	42,964.95	1,268,368.69
Revolving Loans												
Water Supply Loan	22,769.83	21,852.64	20,900.07	19,910.77	18,883.30	77,563.09	45,237.35	8,880.54	-	-	-	235,997.59
Capital Leases												
Ambulance	4,390.10	3,343.87	2,264.16	1,149.92	-	-	-	-	-	-	-	11,148.05
Library Chair Lift	2,162.72	1,639.75	1,090.31	513.06	30.98	-	-	-	-	-	-	5,436.82
Total Interest Payments	153,663.45	147,585.82	140,500.13	133,347.65	126,580.91	584,363.02	490,828.90	379,302.37	278,108.75	164,731.54	46,180.88	2,645,193.42
Total Principal and Interest	\$310,719.23	\$308,814.60	\$311,068.78	\$298,277.63	\$202,913.57	\$1,008,076.07	\$1,008,088.07	\$ 914,896.69	\$ 775,371.22	\$ 775,395.70	\$ 459,910.64	\$6,373,532.20

**6. OPERATING LEASES**

As of December 31, 2012, the City has entered into an operating lease for office equipment. Rent expense for the year ended December 31, 2012, was \$564.00. Under the current lease agreements, the future minimum rental payments are as follows:

2013	\$ 564.00
2014	470.00

**7. 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 Kansas law. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

*Funding Policy.* K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERs member-employee contribution rates. Effective July 1, 2009, KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERs member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

**8. COMPENSATED ABSENCES**

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

Years Continuous Employment:	0-4	5-10	10-15	15+
80 Hours Earned per Pay Period	3.08	4.62	5.54	6.15
80 Hours Annual Accrual	80	120	144	160
84 Hours Earned per Pay Period	3.23	4.85	5.88	6.46
84 Hours Annual Accrual	84	126	153	168
Maximum Hours Accrued	126	126	189	252

In the event of termination employees will be compensated for unused vacation leave.

All full time employees are eligible for paid sick leave and starts accruing on the first day of the month following their first full month on employment and is accrued at a rate of eight hours per month. Employees who resign and give two weeks' notice before they leave employment with the City after three years of service, at the discretion of the City Administrator, will be eligible to receive 10% of their sick time up to 92 hours.

**8. COMPENSATED ABSENCES** (Continued)

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 estimated a liability for vacation pay, which has been earned, but not taken by City employees of \$30,587.91. The City has not accrued a liability for sick leave earned, but not taken, by City employees, as the amounts cannot be reasonably estimated at this time.

**9. 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.

**10. NOTES RECEIVABLE AND LOANS RECEIVABLE**

The City has established an RBEG Revolving Loan Fund. The Fund is the recipient of money paid back to the City by Cherryvale industries which received Rural Business Enterprise Grants in earlier years. As repayment is made by these industries, the City makes loans to other qualifying industries. The loans due to the City at December 31, 2012, through the RBEG Revolving Loan Fund are as follows:

M&B Contracting	\$ 20,600.00
Testosterone Motorsports	20,820.00
Tangled Up Salon	22,140.00
Portrait Designs by Lasha	<u>23,240.00</u>
 TOTAL NOTES RECEIVABLE	 \$ <u>86,800.00</u>

These notes receivable and loans are not reflected in these regulatory basis financial statements of the City of Cherryvale, Kansas.

**11. 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.

**11. RISK MANAGEMENT** (Continued)

The City has been unable to obtain workers' compensation insurance at a cost it considers to be economically justifiable. For this reason, the City has joined together with other cities in the State to participate in Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for participating members. The City pays annual premium to KMIT for its workers' compensation insurance coverage. The agreement to participate provides that KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of a stated dollar amount for each insurance event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT management.

**12. INTERFUND TRANSFERS**

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Special Highway	K.S.A. 12-1,119	\$ 25,000.00
General	Sewer Utility	K.S.A. 12-197	106,314.64
General	Capital Improvements Reserve	K.S.A. 12-1,118	123,253.99
Water Utility	General	K.S.A. 12-825d	70,000.00
Water Utility	Bond and Interest	K.S.A. 12-825d	106,840.00
Water Utility	Capital Improvements Reserve	K.S.A. 12-1,118	10,000.00
Water Utility	Municipal Equipment Reserve	K.S.A. 12-1,117	10,000.00
Sewer Utility	Capital Improvements Reserve	K.S.A. 12-1,118	25,000.00
Sewer Utility	Municipal Equipment Reserve	K.S.A. 12-1,117	20,000.00
Sewer Utility	Bond and Interest	K.S.A. 12-825d	154,931.00
Sewer Utility	General	K.S.A. 12-825d	96,250.00

**13. SUBSEQUENT EVENTS**

The City evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

## **SUPPLEMENTAL INFORMATION**

**CITY OF CHERRYVALE, KANSAS**  
 Summary of Expenditures - Actual and Budget  
 (Budgeted Funds Only)  
 Regulatory Basis  
 For the Year Ended December 31, 2012

Funds	Certified Budget	Adjustments for		Total Budget for Comparison	Expenditures		Variance - Over (Under)
		Qualifying Budget Credits	Budget Credits		Charged to Current Year Budget	Over (Under)	
General	\$ 1,756,521.00	\$ 57,709.48	\$ -	\$ 1,814,230.48	\$ 1,563,228.91	\$ (251,001.57)	
Special Purpose Funds:							
Library	46,739.00	-	-	46,739.00	45,078.92	(1,660.08)	
Special Parks and Recreation	17,000.00	-	-	17,000.00	9,053.73	(7,946.27)	
Special Highway	127,021.00	1,511.04	-	128,532.04	113,352.34	(15,179.70)	
Bond and Interest Funds:							
Bond and Interest	261,771.00	-	-	261,771.00	258,007.66	(3,763.34)	
Business Funds:							
Water Utility	770,137.00	-	-	770,137.00	665,392.27	(104,744.73)	
Sewer Utility	535,276.00	-	-	535,276.00	408,217.58	(127,058.42)	
Refuse Utility	139,500.00	-	-	139,500.00	127,151.42	(12,348.58)	

**CITY OF CHERRYVALE, KANSAS**  
**GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
<b>Taxes and Shared Revenue</b>				
Ad Valorem Property Tax	\$ 199,999.68	\$ 228,159.99	\$ 255,280.00	\$ (27,120.01)
Delinquent Tax	17,832.51	21,938.07	13,000.00	8,938.07
Motor Vehicle Tax	35,901.14	46,166.55	46,297.00	(130.45)
Recreational Vehicle Tax	312.48	389.16	312.00	77.16
16/20M Truck Tax	288.04	229.47	283.00	(53.53)
Sales Tax	447,909.92	516,723.67	486,422.00	30,301.67
Compensating Use Tax	125,202.75	118,682.31	92,000.00	26,682.31
Franchise Taxes	178,210.21	170,455.76	175,000.00	(4,544.24)
In Lieu of Taxes	838.82	852.52	-	852.52
Nuisance Tax	1,150.00	1,000.00	-	1,000.00
<b>Intergovernmental</b>				
Federal Grants	14,607.06	2,096.26	16,373.00	(14,276.74)
Local Alcoholic Liquor Tax	-	1,549.63	850.00	699.63
Drug Tax	98.04	-	-	-
<b>Licenses and Permits</b>				
Licenses, Permits & Fees	2,302.00	5,660.65	3,285.00	2,375.65
<b>Charges for Services</b>				
Grave Openings/Sale of Lots	11,120.00	10,290.00	8,500.00	1,790.00
County Ambulance	64,354.77	62,765.96	66,119.00	(3,353.04)
Ambulance Fees	123,342.17	128,714.91	105,000.00	23,714.91
Swimming Pool Fees	4,655.36	2,875.66	3,000.00	(124.34)
Refuse Collection Retainage	11,476.00	6,733.00	11,500.00	(4,767.00)
VIN Inspections	780.00	1,135.00	500.00	635.00
<b>Fines, Forfeitures and Penalties</b>				
Fines	47,986.28	53,430.55	43,600.00	9,830.55
<b>Use of Money and Property</b>				
Interest	12,000.84	10,855.62	10,000.00	855.62
Rental Income	3,550.00	3,350.00	2,400.00	950.00
Sale of Property	3,941.10	4,435.45	1,000.00	3,435.45
<b>Other Revenues</b>				
Donations	2,500.00	-	-	-
Miscellaneous	1,553.09	2,660.11	50.00	2,610.11
Reimbursed Expense	18,811.68	57,709.48	8,000.00	49,709.48

**CITY OF CHERRYVALE, KANSAS**  
**GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts (Continued)				
Operating Transfers from:				
Water Utility Fund	\$ 55,000.00	\$ 70,000.00	\$ 120,000.00	\$ (50,000.00)
Sewer Utility Fund	124,998.77	96,250.00	165,000.00	(68,750.00)
Residual Transfers from:				
Special Law Enforcement Fund	80.00	-	-	-
Small Grants Fund	460.05	-	-	-
FEMA Fire Department Grant Fund	1,190.45	-	-	-
<b>Total Receipts</b>	<b>1,512,453.21</b>	<b>1,625,109.78</b>	<b>\$ 1,633,771.00</b>	<b>\$ (8,661.22)</b>
Expenditures				
Governing Body				
Personal Services	14,061.55	21,864.49	\$ 14,281.00	\$ 7,583.49
Contractual Services	27,291.63	23,451.35	34,725.00	(11,273.65)
Commodities	16,261.24	10,576.61	9,475.00	1,101.61
Capital Outlay	-	1,292.10	-	1,292.10
City Administrator's Office				
Personal Services	80,671.13	77,421.27	84,912.00	(7,490.73)
Contractual Services	20,198.62	11,230.81	17,459.00	(6,228.19)
Commodities	11,898.14	9,266.15	8,950.00	316.15
City Clerk's Office				
Personal Services	148,605.85	113,185.70	154,725.00	(41,539.30)
Contractual Services	14,597.07	11,537.18	13,161.00	(1,623.82)
Commodities	25,620.82	23,543.40	26,700.00	(3,156.60)
Police Department				
Personal Services	265,091.43	275,023.73	275,314.00	(290.27)
Contractual Services	10,042.53	23,405.72	13,135.00	10,270.72
Commodities	40,386.18	43,002.96	35,650.00	7,352.96
Fire Department				
Personal Services	352,326.50	359,950.04	367,615.00	(7,664.96)
Contractual Services	33,862.22	38,632.60	24,928.00	13,704.60
Commodities	50,788.07	46,205.18	62,830.00	(16,624.82)
Capital Outlay	1,330.00	787.11	-	787.11

**CITY OF CHERRYVALE, KANSAS**  
**GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures (Continued)				
Parks and Cemetery				
Personal Services	\$ 35,042.84	\$ 38,684.18	\$ 37,909.00	\$ 775.18
Contractual Services	1,334.02	2,058.14	6,050.00	(3,991.86)
Commodities	3,579.00	7,138.64	8,025.00	(886.36)
Swimming Pool				
Personal Services	26,085.65	16,876.91	28,083.00	(11,206.09)
Contractual Services	1,730.72	1,356.69	2,155.00	(798.31)
Commodities	3,828.65	3,196.93	5,550.00	(2,353.07)
Capital Outlay	-	2,600.00	-	2,600.00
Street and Street Lighting Department				
Contractual Services	38,764.90	45,901.32	40,000.00	5,901.32
Municipal Court				
Contractual Services	10,174.00	11,992.50	9,675.00	2,317.50
Commodities	3,100.76	1,254.96	-	1,254.96
Building Inspector				
Personal Services	4,292.53	3,866.07	19,193.00	(15,326.93)
Contractual Services	4,583.50	6,651.60	-	6,651.60
Employee Benefits				
Personal Services	9,708.35	9,643.27	9,020.00	623.27
Neighborhood Revitalization				
Rebates	8,565.58	9,213.99	7,355.00	1,858.99
Capital Outlay	36,342.41	47,915.70	95,500.00	(47,584.30)
Smelter Site	570.73	1,834.02	4,500.00	(2,665.98)
Armory Building	6,948.39	6,708.96	7,200.00	(491.04)
Library				
Capital Outlay	-	1,390.00	-	1,390.00

**CITY OF CHERRYVALE, KANSAS  
GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures (Continued)				
Operating Transfers to:				
Special Highway Fund	\$ 55,000.00	\$ 25,000.00	\$ 25,000.00	\$ -
Capital Improvements				
Reserve Fund	88,015.30	123,253.99	132,174.00	(8,920.01)
Sewer Utility Fund	96,171.58	106,314.64	<u>175,272.00</u>	<u>(68,957.36)</u>
Total Certified Budget			1,756,521.00	(193,292.09)
Adjustments for Qualifying				
Budget Credits			<u>57,709.48</u>	<u>(57,709.48)</u>
Total Expenditures	<u>1,546,871.89</u>	<u>1,563,228.91</u>	<u>\$ 1,814,230.48</u>	<u>\$ (251,001.57)</u>
Receipts Over(Under) Expenditures	(34,418.68)	61,880.87		
Unencumbered Cash, Beginning	<u>260,073.62</u>	<u>225,654.94</u>		
Unencumbered Cash, Ending	<u>\$ 225,654.94</u>	<u>\$ 287,535.81</u>		

**CITY OF CHERRYVALE, KANSAS**  
**LIBRARY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 22,615.42	\$ 37,162.81	\$ 41,576.00	\$ (4,413.19)
Delinquent Tax	2,047.77	3,215.43	1,500.00	1,715.43
Motor Vehicle Tax	11,577.50	2,530.08	5,237.00	(2,706.92)
Recreational Vehicle Tax	102.42	20.59	35.00	(14.41)
16/20M Truck Tax	-	63.22	32.00	31.22
In Lieu of Taxes	94.88	138.83	-	138.83
<b>Total Receipts</b>	<u>36,437.99</u>	<u>43,130.96</u>	<u>\$ 48,380.00</u>	<u>\$ (5,249.04)</u>
<b>Expenditures</b>				
Culture and Recreation				
Appropriations	36,408.90	32,585.98	\$ 33,035.00	\$ (449.02)
Neighborhood Revitalization Rebate	-	-	1,211.00	(1,211.00)
Debt Service				
Lift Lease Payment	12,492.94	12,492.94	12,493.00	(0.06)
<b>Total Expenditures</b>	<u>48,901.84</u>	<u>45,078.92</u>	<u>\$ 46,739.00</u>	<u>\$ (1,660.08)</u>
Receipts Over(Under) Expenditures	(12,463.85)	(1,947.96)		
Unencumbered Cash, Beginning	<u>14,971.64</u>	<u>2,507.79</u>		
Unencumbered Cash, Ending	<u>\$ 2,507.79</u>	<u>\$ 559.83</u>		

**CITY OF CHERRYVALE, KANSAS**  
**SPECIAL PARKS AND RECREATION FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Taxes and Shared Revenue				
Local Alcoholic Liquor Tax	\$ -	\$ 1,549.63	\$ 850.00	\$ 699.63
<b>Total Receipts</b>	<u>-</u>	<u>1,549.63</u>	<u>\$ 850.00</u>	<u>\$ 699.63</u>
<b>Expenditures</b>				
Culture and Recreation				
Commodities	19,133.83	9,053.73	\$ 17,000.00	\$ (7,946.27)
<b>Total Expenditures</b>	<u>19,133.83</u>	<u>9,053.73</u>	<u>\$ 17,000.00</u>	<u>\$ (7,946.27)</u>
Receipts Over(Under) Expenditures	(19,133.83)	(7,504.10)		
Unencumbered Cash, Beginning	<u>41,020.24</u>	<u>21,886.41</u>		
Unencumbered Cash, Ending	<u>\$ 21,886.41</u>	<u>\$ 14,382.31</u>		

**CITY OF CHERRYVALE, KANSAS**  
**SPECIAL HIGHWAY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Taxes and Shared Revenue				
Highway Gas Tax	\$ 60,167.61	\$ 60,836.00	\$ 61,300.00	\$ (464.00)
County Gas Tax	7,961.34	12,191.35	9,450.00	2,741.35
Other Revenue				
Reimbursed Expense	495.70	1,511.04	330.00	1,181.04
Operating Transfers from General Fund	55,000.00	25,000.00	25,000.00	-
<b>Total Receipts</b>	<b>123,624.65</b>	<b>99,538.39</b>	<b>\$ 96,080.00</b>	<b>\$ 3,458.39</b>
<b>Expenditures</b>				
General Government				
Personal Services	75,459.12	72,982.69	\$ 85,746.00	\$ (12,763.31)
Contractual Services	4,905.55	6,069.48	6,475.00	(405.52)
Commodities	29,520.62	34,300.17	33,800.00	500.17
Capital Outlay	-	-	1,000.00	(1,000.00)
<b>Total Certified Budget</b>			<b>127,021.00</b>	<b>(13,668.66)</b>
Adjustments for Qualifying Budget Credits			1,511.04	(1,511.04)
<b>Total Expenditures</b>	<b>109,885.29</b>	<b>113,352.34</b>	<b>\$ 128,532.04</b>	<b>\$ (15,179.70)</b>
Receipts Over(Under) Expenditures	13,739.36	(13,813.95)		
Unencumbered Cash, Beginning	29,384.22	43,123.58		
Unencumbered Cash, Ending	<u>\$ 43,123.58</u>	<u>\$ 29,309.63</u>		

**CITY OF CHERRYVALE, KANSAS**  
**SPECIAL LAW ENFORCEMENT FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Charges for Services		
County Tax	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Operating Transfers to General Fund	80.00	-
Total Expenditures	80.00	-
Receipts Over(Under) Expenditures	(80.00)	-
Unencumbered Cash, Beginning	80.00	-
Unencumbered Cash, Ending	\$ -	\$ -

**CITY OF CHERRYVALE, KANSAS**  
**COMMUNITY DEVELOPMENT BLOCK GRANT FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grant - CDBG	\$ 4,675.00	\$ -
Total Receipts	4,675.00	-
Expenditures		
Improvements		
Contractual Services	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	4,675.00	-
Unencumbered Cash, Beginning	(4,675.00)	-
Unencumbered Cash, Ending	\$ -	\$ -

**CITY OF CHERRYVALE, KANSAS**  
**FEMA FIRE DEPARTMENT GRANT FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grant - FEMA	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Residual Transfers to General Fund	1,190.45	-
Total Expenditures	1,190.45	-
Receipts Over(Under) Expenditures	(1,190.45)	-
Unencumbered Cash, Beginning	1,190.45	-
Unencumbered Cash, Ending	\$ -	\$ -

**CITY OF CHERRYVALE, KANSAS**  
**SMALL GRANTS FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grant	\$ -	\$ 37,050.00
Total Receipts	-	37,050.00
Expenditures		
Capital Improvements		
Capital Outlay	369.50	37,050.00
Residual Transfers to General Fund	460.05	-
Total Expenditures	829.55	37,050.00
Receipts Over(Under) Expenditures	(829.55)	-
Unencumbered Cash, Beginning	829.55	-
Unencumbered Cash, Ending	\$ -	\$ -

**CITY OF CHERRYVALE, KANSAS**  
**CAPITAL IMPROVEMENTS RESERVE FUND**  
 Schedule of Receipts and Expenditures - Actual  
 Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Other Revenues		
Donations	\$ 2,720.00	\$ 2,100.00
Operating Transfers from:		
General Fund	88,015.30	123,253.99
Water Utility Fund	-	10,000.00
Sewer Utility Fund	100,000.00	25,000.00
	<u>190,735.30</u>	<u>160,353.99</u>
Total Receipts		
Expenditures		
General Government		
Capital Outlay	186,412.57	267,784.33
	<u>186,412.57</u>	<u>267,784.33</u>
Total Expenditures		
Receipts Over(Under) Expenditures	4,322.73	(107,430.34)
Unencumbered Cash, Beginning	103,107.61	107,430.34
	<u>103,107.61</u>	<u>107,430.34</u>
Unencumbered Cash, Ending	\$ 107,430.34	\$ -
	<u>\$ 107,430.34</u>	<u>\$ -</u>

**CITY OF CHERRYVALE, KANSAS**  
**MUNICIPAL EQUIPMENT RESERVE FUND**  
Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Capital Lease Proceeds	\$ -	\$ 174,289.00
Operating Transfers from:		
Water Utility Fund	-	10,000.00
Sewer Utility Fund	50,000.00	20,000.00
	50,000.00	204,289.00
Total Receipts	50,000.00	204,289.00
Expenditures		
Capital Projects		
Capital Outlay	43,200.53	199,605.36
Debt Service		
Capital Lease Payment	-	94,542.64
	43,200.53	294,148.00
Total Expenditures	43,200.53	294,148.00
Receipts Over(Under) Expenditures	6,799.47	(89,859.00)
Unencumbered Cash, Beginning	147,978.44	154,777.91
Unencumbered Cash, Ending	\$ 154,777.91	\$ 64,918.91

**CITY OF CHERRYVALE, KANSAS**  
**HAZ SUB BROWNFIELDS GRANT FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Intergovernmental		
Federal Grants - EPA	\$ 42,435.98	\$ 26,757.33
Total Receipts	<u>42,435.98</u>	<u>26,757.33</u>
Expenditures		
General Government		
Contractual	<u>26,814.79</u>	<u>22,284.50</u>
Total Expenditures	<u>26,814.79</u>	<u>22,284.50</u>
Receipts Over(Under) Expenditures	15,621.19	4,472.83
Unencumbered Cash, Beginning	<u>(15,621.19)</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 4,472.83</u>

**CITY OF CHERRYVALE, KANSAS**  
**PETROLEUM BROWNFIELDS GRANT FUND**  
 Schedule of Receipts and Expenditures - Actual  
 Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Intergovernmental		
Federal Grants - EPA	\$ 52,624.20	\$ 35,819.34
Total Receipts	<u>52,624.20</u>	<u>35,819.34</u>
Expenditures		
General Government		
Contractual Services	<u>42,803.27</u>	<u>21,375.07</u>
Total Expenditures	<u>42,803.27</u>	<u>21,375.07</u>
Receipts Over(Under) Expenditures	9,820.93	14,444.27
Unencumbered Cash, Beginning	<u>(9,820.93)</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 14,444.27</u>

**CITY OF CHERRYVALE, KANSAS**  
**KAN STEP GRANT FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grants	\$ 38,876.00	\$ 118,000.00
 Total Receipts	38,876.00	118,000.00
 Expenditures		
Capital Improvements		
Contractual Services	38,876.00	15,917.42
Commodities	33,368.69	147,912.77
 Total Expenditures	72,244.69	163,830.19
 Receipts Over(Under) Expenditures	(33,368.69)	(45,830.19)
 Unencumbered Cash, Beginning	-	(33,368.69)
 Unencumbered Cash, Ending	\$ (33,368.69)	\$ (79,198.88)

**CITY OF CHERRYVALE, KANSAS**  
**RBEF LOAN FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grants	\$ 118,333.33	\$ 23,333.33
Use of Money and Property		
Loan Repayments	29,400.00	33,800.00
Late Fees	-	66.00
	147,733.33	57,199.33
Total Receipts		
Expenditures		
Capital Improvements		
Commodities	118,333.33	23,333.33
	118,333.33	23,333.33
Total Expenditures		
Receipts Over(Under) Expenditures	29,400.00	33,866.00
Unencumbered Cash, Beginning	-	29,400.00
Unencumbered Cash, Ending	\$ 29,400.00	\$ 63,266.00

**CITY OF CHERRYVALE, KANSAS**  
**KHRC INFRASTRUCTURE GRANT FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
State Grants	\$ 122,981.55	\$ -
 Total Receipts	122,981.55	-
 Expenditures		
Capital Improvements		
Contractual Services	8,722.50	-
Commodities	114,259.05	-
 Total Expenditures	122,981.55	-
 Receipts Over(Under) Expenditures	-	-
 Unencumbered Cash, Beginning	-	-
 Unencumbered Cash, Ending	\$ -	\$ -

**CITY OF CHERRYVALE, KANSAS**  
**KHRC HOME GRANT FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grants	\$ 154,008.75	\$ 735.00
Other Revenues		
Reimbursed Expense	-	6,819.00
Total Receipts	<u>154,008.75</u>	<u>7,554.00</u>
Expenditures		
Capital Improvements		
Personal Services	154,708.75	-
Contractual Services	-	35.00
Total Expenditures	<u>154,708.75</u>	<u>35.00</u>
Receipts Over(Under) Expenditures	(700.00)	7,519.00
Unencumbered Cash, Beginning	-	(700.00)
Unencumbered Cash, Ending	<u>\$ (700.00)</u>	<u>\$ 6,819.00</u>

**CITY OF CHERRYVALE, KANSAS**  
**BOND AND INTEREST FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Taxes and Shared Revenue				
Ad Valorem Tax	\$ 10,568.50	\$ (109.69)	\$ -	\$ (109.69)
Delinquent Tax	2,869.95	2,793.41	-	2,793.41
Motor Vehicle Tax	9,831.40	5,306.72	2,449.00	2,857.72
Recreational Vehicle Tax	86.08	44.02	17.00	27.02
16/20M Truck Tax	50.27	75.22	15.00	60.22
In Lieu of Taxes	44.37	-	-	-
Operating Transfers from:				
Sewer Utility Fund	157,379.01	154,931.00	154,931.00	-
Water Utility Fund	105,320.00	106,840.00	106,840.00	-
<b>Total Receipts</b>	<b>286,149.58</b>	<b>269,880.68</b>	<b>\$ 264,252.00</b>	<b>\$ 5,628.68</b>
<b>Expenditures</b>				
Debt Services				
Principal	154,798.30	104,734.05	\$ 106,882.00	\$ (2,147.95)
Interest	163,087.21	151,036.36	154,889.00	(3,852.64)
Commissions and Postage	7.50	2,237.25	-	2,237.25
<b>Total Expenditures</b>	<b>317,893.01</b>	<b>258,007.66</b>	<b>\$ 261,771.00</b>	<b>\$ (3,763.34)</b>
Receipts Over(Under) Expenditures	(31,743.43)	11,873.02		
Unencumbered Cash, Beginning	31,743.43	-		
Unencumbered Cash, Ending	\$ -	\$ 11,873.02		

**CITY OF CHERRYVALE, KANSAS**  
**2009 WATER PROJECT-KPWSLF FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Loan Proceeds	\$ 178,148.60	\$ -
Total Receipts	178,148.60	-
Expenditures		
Capital Improvements		
Capital Outlay	73,207.87	-
Total Expenditures	73,207.87	-
Receipts Over(Under) Expenditures	104,940.73	-
Unencumbered Cash, Beginning	(104,940.73)	-
Unencumbered Cash, Ending	\$ -	\$ -

**CITY OF CHERRYVALE, KANSAS**  
**WATER UTILITY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Charges for Services				
Water Receipts	\$ 618,372.59	\$ 600,343.09	\$ 584,100.00	\$ 16,243.09
Penalties	13,947.75	13,194.26	14,500.00	(1,305.74)
Reconnection Fees	5,530.00	5,810.00	9,700.00	(3,890.00)
Other Fees	2,150.74	3,222.70	1,815.00	1,407.70
Other Revenues				
Miscellaneous	75.09	553.58	25.00	528.58
Reimbursed Expenses	509.22	1,537.40	500.00	1,037.40
<b>Total Receipts</b>	<b>640,585.39</b>	<b>624,661.03</b>	<b>\$ 610,640.00</b>	<b>\$ 14,021.03</b>
<b>Expenditures</b>				
Distribution				
Personal Services	82,622.17	76,030.01	\$ 88,028.00	\$ (11,997.99)
Contractual Services	27,569.16	29,982.10	24,644.00	5,338.10
Commodities	344,053.35	337,969.61	390,625.00	(52,655.39)
Capital Outlay	2,500.00	24,570.55	20,000.00	4,570.55
Operating Transfers to:				
Bond and Interest Fund	105,320.00	106,840.00	106,840.00	-
General Fund	55,000.00	70,000.00	120,000.00	(50,000.00)
Capital Improvements				
Reserve Fund	-	10,000.00	10,000.00	-
Municipal Equipment				
Reserve Fund	-	10,000.00	10,000.00	-
<b>Total Expenditures</b>	<b>617,064.68</b>	<b>665,392.27</b>	<b>\$ 770,137.00</b>	<b>\$ (104,744.73)</b>
Receipts Over(Under) Expenditures	23,520.71	(40,731.24)		
Unencumbered Cash, Beginning	467,253.50	490,774.21		
Unencumbered Cash, Ending	<u>\$ 490,774.21</u>	<u>\$ 450,042.97</u>		

**CITY OF CHERRYVALE, KANSAS**  
**SEWER UTILITY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Charges for Services				
Sewer Collections	\$ 251,119.38	\$ 246,494.98	\$ 250,000.00	\$ (3,505.02)
Penalties	5,961.40	5,818.14	6,000.00	(181.86)
Use of Money and Property				
Rental Income	100.00	100.00	100.00	-
Other Revenues				
Miscellaneous	250.00	250.00	100.00	150.00
Reimbursed Expense	498.50	1,824.85	500.00	1,324.85
Operating Transfers from				
General Fund	96,171.58	106,314.64	175,272.00	(68,957.36)
<b>Total Receipts</b>	<b>354,100.86</b>	<b>360,802.61</b>	<b>\$ 431,972.00</b>	<b>\$ (71,169.39)</b>
<b>Expenditures</b>				
Collections				
Personal Services	79,307.40	71,387.95	\$ 86,576.00	\$ (15,188.05)
Contractual Services	14,418.23	13,348.19	17,569.00	(4,220.81)
Commodities	26,984.37	26,188.44	46,200.00	(20,011.56)
Capital Outlay	-	1,112.00	20,000.00	(18,888.00)
Operating Transfers to:				
Bond and Interest Fund	157,379.01	154,931.00	154,931.00	-
Municipal Equipment				
Reserve Fund	50,000.00	20,000.00	20,000.00	-
Capital Improvements				
Reserve Fund	100,000.00	25,000.00	25,000.00	-
General Fund	124,998.77	96,250.00	165,000.00	(68,750.00)
<b>Total Expenditures</b>	<b>553,087.78</b>	<b>408,217.58</b>	<b>\$ 535,276.00</b>	<b>\$ (127,058.42)</b>
Receipts Over(Under) Expenditures	(198,986.92)	(47,414.97)		
Unencumbered Cash, Beginning	657,552.96	458,566.04		
Unencumbered Cash, Ending	\$ 458,566.04	\$ 411,151.07		

**CITY OF CHERRYVALE, KANSAS**  
**REFUSE UTILITY FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Charges for Services				
Collection Fees	\$ 128,222.91	\$ 129,216.11	\$ 130,000.00	\$ (783.89)
Polycart Rentals	1,914.00	1,775.31	3,500.00	(1,724.69)
Total Receipts	<u>130,136.91</u>	<u>130,991.42</u>	<u>\$ 133,500.00</u>	<u>\$ (2,508.58)</u>
Expenditures				
General Utility Services				
Contractual Services	<u>129,399.76</u>	<u>127,151.42</u>	<u>\$ 139,500.00</u>	<u>\$ (12,348.58)</u>
Total Expenditures	<u>129,399.76</u>	<u>127,151.42</u>	<u>\$ 139,500.00</u>	<u>\$ (12,348.58)</u>
Receipts Over(Under) Expenditures	737.15	3,840.00		
Unencumbered Cash, Beginning	<u>6,885.30</u>	<u>7,622.45</u>		
Unencumbered Cash, Ending	<u>\$ 7,622.45</u>	<u>\$ 11,462.45</u>		

**CITY OF CHERRYVALE, KANSAS**  
**CEMETERY FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year Actual
Receipts		
Other Revenues		
Donations	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Perpetual Care		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	1,713.79	1,713.79
Unencumbered Cash, Ending	<u>\$ 1,713.79</u>	<u>\$ 1,713.79</u>

**CITY OF CHERRYVALE, KANSAS**  
**AGENCY FUNDS**  
 Schedule of Receipts and Disbursements  
 Regulatory Basis  
 For the Year Ended December 31, 2012

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Firefighter's Auxiliary Fund	\$ 3,571.52	\$ 1,421.14	\$ 882.99	\$ 4,109.67
Volunteer Firefighters Fund	9.10	2,269.39	2,078.92	199.57
Firefighters Flag Fund	-	601.04	-	601.04
FSA Fund	426.84	5,478.00	5,003.50	901.34
Police Explorers Fund	-	175.00	-	175.00
	<u>\$ 4,007.46</u>	<u>\$ 9,944.57</u>	<u>\$ 7,965.41</u>	<u>\$ 5,986.62</u>



## Communication of Material Weaknesses

Honorable Mayor and City Council  
City of Cherryvale, Kansas

In planning and performing our audit of the financial statement of City of Cherryvale, Kansas as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered City of Cherryvale, Kansas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Cherryvale, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cherryvale, Kansas' internal control.

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

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

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

*Jarred, Gilmore & Phillips, PA*

JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

July 1, 2013  
Chanute, Kansas