



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

CITY OF DE SOTO, KANSAS

FINANCIAL STATEMENT
YEAR ENDED DECEMBER 31, 2018

CITY OF DE SOTO, KANSAS

FINANCIAL STATEMENT
REGULATORY BASIS

Year Ended December 31, 2018

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1 - 2
Financial Statement:		
Summary Statement of Receipts, Expenditures, and Unencumbered Cash		3 - 4
Notes to Financial Statement		5 - 17
Supplementary Information:		
Summary of Expenditures - Budget and Actual	1	18
Schedule of Receipts and Expenditures - Budget and Actual:	2	
General Fund		19
Law Enforcement Fund		20
Special Highway Fund		21
Special Parks and Recreation Fund		22
Transient Guest Tax Fund		23
Sponsorship Fund		24
Water Development Fee Fund		25
Sewer Development Fee Fund		26
Electric Utility Investment Fund		27
Enhancement Community Fountain Fund		28
Commerce Drive Tax Increment Fund		29
Bond and Interest Fund		30
Capital Improvements Fund		31
CDBG Fund		32
Water System Fund		33
Sewer System Fund		34
Refuse System Fund		35
Shop Fund		36
Shughart Trust Fund		37
Summary of Receipts and Disbursements – Agency Funds	3	38



INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of De Soto, Kansas:

Report on the Financial Statement

We have audited the summary statement of regulatory basis receipts, expenditures, and unencumbered cash of the City of De Soto, Kansas (the City) 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 2; 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 a 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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

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

An Independently Owned Member, RSM US Alliance

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

As described in Note 2 of the financial statement, the financial statement is prepared by the City 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 2 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 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 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 2.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (the basic financial statement) as a whole. The schedules listed under supplementary information in the accompanying table of contents are presented for purposes of 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 2.

Barberich Trahan & Co., P.A.

April 12, 2019
Topeka, Kansas

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CITY OF DE SOTO, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND
UNENCUMBERED CASH
REGULATORY BASIS

Year Ended December 31, 2018

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances
General fund	\$ 1,372,420	\$ -
Special purpose funds:		
Law enforcement	62,766	-
Special highway	11,996	-
Special parks and recreation	16,636	-
Transient guest tax	37,632	-
Sponsorship	19,603	-
Water development fee	59,208	-
Sewer development fee	86,350	-
Electric utility investment	1,051,416	-
Enhancement community fountain	801	-
Commerce Drive tax increment	106,122	-
Bond and interest fund	834,405	-
Capital project funds:		
Capital improvements	1,769,545	-
CDBG	-	-
Business funds:		
Water system	1,069,482	-
Sewer system	230,081	-
Refuse system	54,526	-
Shop	(9,369)	-
Shughart trust fund	23,849	-
	<u>6,797,469</u>	<u>-</u>
Total reporting entity (excluding agency fund)	<u>\$ 6,797,469</u>	<u>\$ -</u>

See accompanying notes to financial statement.

Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
\$ 4,834,888	\$ 4,020,188	\$ 2,187,120	\$ 2,869	\$ 2,189,989
467,365	465,619	64,512	-	64,512
165,694	160,000	17,690	-	17,690
27,596	25,000	19,232	-	19,232
27,200	22,500	42,332	-	42,332
3,052	436	22,219	-	22,219
11,400	35,000	35,608	-	35,608
79,850	20,000	146,200	-	146,200
374,380	189,647	1,236,149	-	1,236,149
-	765	36	-	36
198,240	296,471	7,891	-	7,891
1,403,554	1,539,744	698,215	-	698,215
657,881	1,326,798	1,100,628	-	1,100,628
64,635	64,635	-	-	-
1,868,455	1,580,027	1,357,910	18,818	1,376,728
590,062	542,230	277,913	13,485	291,398
526,107	522,356	58,277	2,400	60,677
123,380	114,879	(868)	893	25
298	-	24,147	-	24,147
<u>\$ 11,424,037</u>	<u>\$ 10,926,295</u>	<u>\$ 7,295,211</u>	<u>\$ 38,465</u>	<u>\$ 7,333,676</u>

Composition of cash

Great American Bank:	
Checking accounts	\$ (350,244)
ICS (insured cash sweep)	4,368,460
Certificates of deposit	3,125,521
Tri-Century Bank - checking account	215,324
Kansas Municipal Investment Pool	15
Total cash	7,359,076
Agency fund per Schedule 3	(25,400)
Total reporting entity (excluding agency fund)	<u>\$ 7,333,676</u>

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT

December 31, 2018

1 - Municipal Financial Reporting Entity

The City of De Soto, Kansas (the City) is a municipal corporation governed by a mayor and five-member council. The basic financial statement presents the City as the primary government. The City has no related municipal entities.

2 - Summary of Significant Accounting Policies

(a) 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 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 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.

(b) 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.

CITY OF DE SOTO, KANSAS
NOTES TO FINANCIAL STATEMENT
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

(b) Regulatory Basis Fund Types (Continued)

The following regulatory basis fund types comprise the financial activities of the City for the year ended December 31, 2018:

General Fund is used to account for the general operations of the City and is used to account for all unrestricted resources except those required to be accounted for in other funds.

Special Purpose Funds are used to account for the proceeds of specific tax levies and other specific revenue sources (other than major capital projects and tax levies for long-term debt) that are intended for specified purposes.

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

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

Business Funds are financed in whole or in part by fees charged to users of the goods or services.

Shughart Trust Fund is used to report assets held in trust for the benefit of the City.

Agency Funds are used to report assets held by the City in a purely custodial capacity.

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

(c) 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), the bond and interest fund, 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 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. The City had no budget amendments for the year ended December 31, 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 budgeted fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. 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 certain special purpose funds, capital project funds, trust funds, or agency funds.

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

(c) Budgetary Information (Continued)

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

All budgets must be filed with the County Clerk by August 25th. The County Clerk must calculate the final tax levy rates necessary to finance the budget subject to any legal limitations. After all budgets have been received and tax rates calculated, the County Clerk certifies the tax roll to the County Treasurer, who prepares tax statements and receives payment.

These taxes become a lien against all property on November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20th and May 10th. Delinquent taxes are assessed interest at 12% per annum. This interest is retained by the County.

Taxes levied to finance the budget are made available to the City after January 1st and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January. Delinquent tax collections are distributed throughout the year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the City, is on or before January 20th of the ensuing year. Additional amounts are distributed on four subsequent dates throughout the calendar year.

(d) Annual Personal and Sick Leave Benefits

Under the terms of the City's personnel policy, City employees are granted annual personal and sick leave in varying amounts.

Full-time employees accrue vacation each year at the following rates:

- One to four years of service – 10 days
- Five to nine years of service – 15 days
- 10 to 14 years of service – 20 days
- 15 to 19 years of service – 25 days
- 20 or more years of service – 30 days

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT

(Continued)

2 - Summary of Significant Accounting Policies (Continued)

(d) Annual Personal and Sick Leave Benefits (Continued)

Employees cannot carry over more than one half of the annual entitlement for the year in which it was earned. Upon termination or resignation, employees are compensated for unused vacation time, up to a maximum of the yearly amount of vacation time earned.

(e) Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase.

(f) Use of Estimates

The preparation of the financial statement in compliance with the regulatory basis requires management to make estimates and assumptions that affect the reported amounts of encumbrances at the date of the financial statement and the reported amounts of expenditures during the reporting period. Actual results could differ from those estimates.

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 KMIP). The City has no investment policy that would further limit its investment choices.

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT
(Continued)

3 - Deposits and Investments (Continued)

Some of the City’s investments are of bond proceeds invested pursuant to K.S.A. 10-131. This statute allows additional investment authority beyond that of K.S.A. 12-1675. Investments of bond proceeds may follow K.S.A. 12-1675 or include other investments such as the KMIP, direct obligations of the U.S. government or any agency thereof, and various other investments as specified in K.S.A. 10-131.

At December 31, 2018, the City has the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)
Kansas Municipal Investment Pool	\$ 15	Less than 1 year

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 are 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. The City’s investment in the KMIP were not rated by a rating agency as of December 31, 2018.

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. The City’s investments were composed of KMIP deposits as of the fiscal year ended December 31, 2018.

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. Kansas statutes require the deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City.

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT

(Continued)

3 - Deposits and Investments (Continued)

At December 31, 2018, the City's carrying amount of deposits was \$ 7,359,076 and the bank balance was \$ 7,805,763. Of the bank balance, \$ 7,805,763 was covered by federal depository insurance.

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, 2018, the City's investments were not exposed to custodial credit risk.

4 - 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 www.kpers.org or by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 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 6.00% 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.

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT

(Continued)

4 - Defined Benefit Pension Plan (Continued)

State law provides that the employer contribution rates for KPERS 1, 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 \$ 174,950 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 \$ 1,384,591. 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 this financial statement.

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

CITY OF DE SOTO, KANSAS
 NOTES TO FINANCIAL STATEMENT
 (Continued)

5 - Long-Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for general government activities.

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

Issue	Interest Rates	Date of Issue	Date of Final Maturity	Original Amount Issued	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General obligation bonds:									
Series 2010 B	6.00%	4/28/2010	9/1/2035	\$ 710,000	\$ 710,000	\$ -	\$ -	\$ 710,000	\$ 42,600
Series 2010 C	6.50% - 7.00%	12/7/2010	9/1/2040	1,080,000	1,080,000	-	-	1,080,000	73,700
Series 2010 D	4.60%	12/7/2010	9/1/2027	85,000	85,000	-	-	85,000	3,910
Series 2012 A	2.00% - 3.30%	6/6/2012	9/1/2034	4,475,000	3,215,000	-	325,000	2,890,000	76,073
Series 2013 A	2.30% - 5.00%	9/19/2013	9/1/2043	1,015,000	935,000	-	20,000	915,000	43,105
Series 2015 A	2.00% - 4.00%	7/24/2015	9/1/2045	9,635,000	8,780,000	-	435,000	8,345,000	276,888
Series 2015 B	1.25% - 4.00%	7/31/2015	9/1/2035	1,765,000	1,615,000	-	75,000	1,540,000	47,875
Series 2017 A	2.50% - 3.50%	9/28/2017	9/1/2039	2,285,000	2,285,000	-	55,000	2,230,000	65,593
					<u>\$ 18,705,000</u>	<u>\$ -</u>	<u>\$ 910,000</u>	<u>\$ 17,795,000</u>	<u>\$ 629,744</u>

CITY OF DE SOTO, KANSAS
NOTES TO FINANCIAL STATEMENT
(Continued)

5 - Long-Term Debt (Continued)

Annual debt service requirements to maturity for the general obligation bonds are as follows:

	Year										
	2019	2020	2021	2022	2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048	Total
Principal:											
General obligation bonds:											
Series 2010 B	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ 310,000	\$ -	\$ -	\$ 710,000
Series 2010 C	-	-	-	-	-	100,000	355,000	430,000	195,000	-	1,080,000
Series 2010 D	-	-	-	-	-	85,000	-	-	-	-	85,000
Series 2012 A	330,000	335,000	305,000	315,000	300,000	915,000	325,000	65,000	-	-	2,890,000
Series 2013 A	20,000	20,000	20,000	25,000	25,000	135,000	170,000	220,000	280,000	-	915,000
Series 2015 A	440,000	445,000	450,000	455,000	470,000	2,480,000	2,110,000	430,000	730,000	335,000	8,345,000
Series 2015 B	75,000	75,000	80,000	80,000	85,000	445,000	515,000	185,000	-	-	1,540,000
Series 2017 A	55,000	55,000	100,000	100,000	105,000	780,000	580,000	375,000	80,000	-	2,230,000
Total principal	920,000	930,000	955,000	975,000	985,000	4,940,000	4,455,000	2,015,000	1,285,000	335,000	17,795,000
Interest:											
General obligation bonds:											
Series 2010 B	27,690	27,690	27,690	27,690	27,690	138,450	123,436	18,330	-	-	418,666
Series 2010 C	40,536	40,536	40,536	40,536	40,536	201,428	160,311	88,171	11,358	-	663,948
Series 2010 D	3,910	3,910	3,910	3,910	3,910	12,880	-	-	-	-	32,430
Series 2012 A	69,573	62,973	56,273	50,173	43,085	120,913	45,660	2,145	-	-	450,795
Series 2013 A	42,645	42,185	41,725	40,925	39,925	184,200	149,700	104,250	43,250	-	688,805
Series 2015 A	268,188	259,388	250,488	236,988	218,788	853,390	463,515	263,720	151,576	19,569	2,985,610
Series 2015 B	46,938	46,000	44,500	42,900	40,900	167,925	93,425	11,200	-	-	493,788
Series 2017 A	69,262	67,612	65,962	62,962	59,962	246,886	125,038	54,078	2,800	-	754,562
Total interest	568,742	550,294	531,084	506,084	474,796	1,926,072	1,161,085	541,894	208,984	19,569	6,488,604
Total principal and interest	\$ 1,488,742	\$ 1,480,294	\$ 1,486,084	\$ 1,481,084	\$ 1,459,796	\$ 6,866,072	\$ 5,616,085	\$ 2,556,894	\$ 1,493,984	\$ 354,569	\$ 24,283,604

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT
(Continued)

5 - Long-Term Debt (Continued)

Conduit Debt

During the year ended December 31, 2018, the City issued \$ 2,161,559 in Series 2018 special obligation tax increment revenue bonds for the Commerce Drive Project. This redevelopment project supports the development of a commercial grocery store site on land in the Commerce Drive TIF District.

This debt is to be paid solely from incremental property tax revenues generated by the private development of the Commerce Drive TIF District. The following is a description of the outstanding special obligation bond as of December 31, 2018:

Bond Issue	Interest Rate	Date Issued	Original Issue Amount	Final Maturity	Outstanding Balance
Series 2018 (Commerce Drive Project)	5.00%	2/16/2018	\$ 2,161,559	12/30/2036	\$ 1,957,559

6 - Interfund Transfers

A reconciliation of transfers by fund for 2018 follows:

From	To	Regulatory Authority	Amount
Water	General Fund	KSA 12-825d	\$ 40,000
General Fund	Capital Improvement	KSA 12-1118	320,000
Special Highway	Bond and Interest	Bond Ord 2168	35,000
Special Highway	Capital Improvement	KSA 12-1118	125,000
Special Parks	Capital Improvement	KSA 12-1118	25,000
CDBG	Capital Improvement	KSA 12-1118	64,635
Capital Improvement	Bond and Interest	KSA 12-1118	35,000
Water Development Fee	Bond and Interest	KSA 12-825d	35,000
Sewer Development Fee	Bond and Interest	KSA 12-825d	20,000
Water	Bond and Interest	KSA 12-825d	163,676
Sewer	Bond and Interest	KSA 12-825d	140,000
Electric Utility Investment	Capital Improvement	KSA 12-1118	28,093

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT
(Continued)

7 - 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 premium regardless of age. However, the cost of this subsidy has not been quantified in the basic 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.

Death and Disability Other Post-Employment Benefits

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

8 - Lease Agreement

The City continues to operate the water treatment plant at the former Sunflower Army Ammunition Plant, now owned by private developer Sunflower Redevelopment, LLC. The City's use is pursuant to a perpetual lease agreement dated July 29, 2005. Pursuant to a Real Estate Transfer Agreement dated July 29, 2005 between the City and Sunflower Redevelopment, LLC, the City will receive fee title interest to the treatment plant as soon as the land receives a CERCLA Covenant pursuant to 42 U.S.C. § 9620(h)(3)(A)(ii). The City initiated improvements to the water treatment plant site in 2010; the improvements included a back-up electrical generator, the installation of new electrical service to the plant, and a new water main leading from the plant to the City's distribution system. Construction was completed in 2011. The City, in conjunction with the City of Baldwin, the City of Wellsville, and the Douglas County Rural Water District #4, completed a broader water facilities study in 2012. The study evaluated the concept and costs of creating a regional wholesale water supply district. Proceeding with the creation of a regional wholesale water supply district does not appear feasible at the present time due to the City of Baldwin deciding not to participate.

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT
(Continued)

9 - Interfund Balances

The Electric Utility Investment Fund has advanced money to the General Fund and Water Fund for the purchase of vehicles in the amount of \$ 563,797. This amount includes a new advancement in 2018 for a dump truck in the amount of \$ 161,554. The General Fund and Water Fund paid the Electric Utility Investment Fund \$ 118,280 in 2018 for repayment of the vehicle advance. The balance of the advance remaining at December 31, 2018 was \$ 307,093.

10 - Commitments and Contingencies

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the basic financial statement as of December 31, 2018.

11 - Risk Management

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 for which it carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have not been significant reductions in coverage from prior years.

12 - Subsequent Event

On March 7, 2019, the City authorized the offering for sale of General Obligation Improvement Bonds, Series 2019, in the amount of \$ 995,000 to fund the 91st Street Extension and Lexington and Commerce Street Improvements project. On April 11, 2019, the General Obligation Improvement Bonds, Series 2019 were issued.

SUPPLEMENTARY INFORMATION

CITY OF DE SOTO, KANSAS

SUMMARY OF EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(BUDGETED FUNDS ONLY)

Year Ended December 31, 2018

Fund	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General fund	\$ 4,644,649	\$ -	\$ 4,644,649	\$ 4,020,188	\$ (624,461)
Special purpose funds:					
Law enforcement	524,880	-	524,880	465,619	(59,261)
Special highway	160,000	-	160,000	160,000	-
Special parks and recreation	25,000	-	25,000	25,000	-
Transient guest tax	24,000	-	24,000	22,500	(1,500)
Sponsorship	3,100	-	3,100	436	(2,664)
Water development fee	35,000	-	35,000	35,000	-
Sewer development fee	20,000	-	20,000	20,000	-
Bond and interest fund	2,263,004	-	2,263,004	1,539,744	(723,260)
Business funds:					
Water system	1,721,288	-	1,721,288	1,580,027	(141,261)
Sewer system	610,219	-	610,219	542,230	(67,989)
Refuse system	550,000	-	550,000	522,356	(27,644)
Totals	<u>\$ 10,581,140</u>	<u>\$ -</u>	<u>\$ 10,581,140</u>	<u>\$ 8,933,100</u>	

CITY OF DE SOTO, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS

Year Ended December 31, 2018

	Budget	Actual	Variance Over (Under)
Receipts and transfers:			
Property taxes	\$ 1,160,760	\$ 1,653,914	\$ 493,154
Sales and use taxes	1,575,000	1,776,908	201,908
Intergovernmental	13,888	13,606	(282)
Licenses and permits	54,700	68,215	13,515
Franchise fee	582,500	660,238	77,738
Charges for services	124,000	106,619	(17,381)
Use of money and property	71,400	60,955	(10,445)
Fines and fees	231,800	339,863	108,063
Miscellaneous	7,900	103,385	95,485
Donations	-	100	100
Interest income	5,500	11,085	5,585
Transfers in	40,000	40,000	-
	\$ 3,867,448	4,834,888	\$ 967,440
Expenditures, encumbrances, and transfers:			
Personal services	\$ 2,038,460	2,005,609	\$ (32,851)
Contractual services	840,500	803,652	(36,848)
Commodities	422,600	368,921	(53,679)
Capital outlay	930,146	429,063	(501,083)
Electric Utility Loan Repayment	-	92,943	92,943
Transfers out	412,943	320,000	(92,943)
	\$ 4,644,649	4,020,188	\$ (624,461)
Receipts and transfers over expenditures, encumbrances, and transfers		814,700	
Unencumbered cash, beginning		1,372,420	
Unencumbered cash, ending		\$ 2,187,120	

(Continued)

CITY OF DE SOTO, KANSAS

LAW ENFORCEMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

	Budget	Actual	Variance Over (Under)
Receipts:			
Property taxes	\$ 472,036	\$ 467,365	\$ (4,671)
Expenditures:			
Contractual services	\$ 475,000	465,619	\$ (9,381)
Capital outlay	4,000	-	(4,000)
Reserve	45,880	-	(45,880)
Total expenditures	\$ 524,880	465,619	\$ (59,261)
Receipts over expenditures		1,746	
Unencumbered cash, beginning		62,766	
Unencumbered cash, ending		\$ 64,512	

(Continued)

CITY OF DE SOTO, KANSAS

SPECIAL HIGHWAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
 REGULATORY BASIS
 (Continued)

Year Ended December 31, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts:			
Intergovernmental	<u>\$ 160,830</u>	\$ 165,694	<u>\$ 4,864</u>
Transfers:			
Transfers out	<u>\$ 160,000</u>	<u>160,000</u>	<u>\$ -</u>
Receipts over transfers		5,694	
Unencumbered cash, beginning		<u>11,996</u>	
Unencumbered cash, ending		<u>\$ 17,690</u>	

(Continued)

CITY OF DE SOTO, KANSAS

SPECIAL PARKS AND RECREATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

	Budget	Actual	Variance Over (Under)
Receipts:			
Intergovernmental	\$ 13,888	\$ 13,606	\$ (282)
Charges for services	12,000	13,990	1,990
Total receipts	\$ 25,888	27,596	\$ 1,708
Transfers:			
Transfers out	\$ 25,000	25,000	\$ -
Receipts over transfers		2,596	
Unencumbered cash, beginning		16,636	
Unencumbered cash, ending		\$ 19,232	

(Continued)

CITY OF DE SOTO, KANSAS

TRANSIENT GUEST TAX FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

	Budget	Actual	Variance Over (Under)
Receipts:			
Intergovernmental	\$ 25,000	\$ 27,200	\$ 2,200
Expenditures:			
Contractual services	\$ 24,000	22,500	\$ (1,500)
Receipts over expenditures		4,700	
Unencumbered cash, beginning		37,632	
Unencumbered cash, ending		\$ 42,332	

(Continued)

CITY OF DE SOTO, KANSAS

SPONSORSHIP FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

	Budget	Actual	Variance Over (Under)
Receipts:			
Charges for services	\$ 3,700	\$ 3,052	\$ (648)
Expenditures:			
Commodities	\$ 3,100	436	\$ (2,664)
Receipts over expenditures		2,616	
Unencumbered cash, beginning		19,603	
Unencumbered cash, ending		\$ 22,219	

(Continued)

CITY OF DE SOTO, KANSAS

WATER DEVELOPMENT FEE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

	Budget	Actual	Variance Over (Under)
Receipts:			
Charges for services	\$ 35,000	\$ 11,400	\$ (23,600)
Transfers:			
Transfers out	\$ 35,000	35,000	\$ -
Receipts under transfers		(23,600)	
Unencumbered cash, beginning		59,208	
Unencumbered cash, ending		\$ 35,608	

(Continued)

CITY OF DE SOTO, KANSAS

SEWER DEVELOPMENT FEE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

	Budget	Actual	Variance Over (Under)
Receipts:			
Charges for services	\$ 20,000	\$ 79,850	\$ 59,850
Transfers:			
Transfers out	\$ 20,000	20,000	\$ -
Receipts over transfers		59,850	
Unencumbered cash, beginning		86,350	
Unencumbered cash, ending		\$ 146,200	

(Continued)

CITY OF DE SOTO, KANSAS

ELECTRIC UTILITY INVESTMENT FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

Receipts:	
Interest income	\$ 28,093
Loan repayment	346,287
	<hr/>
Total receipts	374,380
	<hr/>
Expenditures and transfers:	
Commodities	161,554
Transfers out	28,093
	<hr/>
Total expenditures and transfers	189,647
	<hr/>
Receipts over expenditures and transfers	184,733
Unencumbered cash, beginning	1,051,416
	<hr/>
Unencumbered cash, ending	\$ 1,236,149
	<hr/> <hr/>

* This fund is not required to be budgeted.

(Continued)

CITY OF DE SOTO, KANSAS

ENHANCEMENT COMMUNITY FOUNTAIN FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

Expenditures:		
Commodities	\$	765
Unencumbered cash, beginning		<u>801</u>
Unencumbered cash, ending	\$	<u><u>36</u></u>

* This fund is not required to be budgeted.

(Continued)

CITY OF DE SOTO, KANSAS

COMMERCE DRIVE TAX INCREMENT FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

Receipts:	
Taxes	\$ 198,240
Expenditures:	
Contractual services	2,965
Miscellaneous	293,506
Total expenditures	296,471
Receipts under expenditures	(98,231)
Unencumbered cash, beginning	106,122
Unencumbered cash, ending	\$ 7,891

* This fund is not required to be budgeted.

(Continued)

CITY OF DE SOTO, KANSAS

BOND AND INTEREST FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

	Budget	Actual	Variance Over (Under)
Receipts and transfers:			
Taxes	\$ 874,498	\$ 905,300	\$ 30,802
Miscellaneous	44,806	44,903	97
Interest income	5,000	13,574	8,574
Special assessments	8,765	11,101	2,336
Transfers in	428,676	428,676	-
Total receipts and transfers	\$ 1,361,745	1,403,554	\$ 41,809
Expenditures:			
Bond principal	\$ 895,000	910,000	\$ 15,000
Interest expense	670,404	629,744	(40,660)
Reserve	697,600	-	(697,600)
Total expenditures	\$ 2,263,004	1,539,744	\$ (723,260)
Receipts and transfers over expenditures		(136,190)	
Unencumbered cash, beginning		834,405	
Unencumbered cash, ending		\$ 698,215	

(Continued)

CITY OF DE SOTO, KANSAS

CAPITAL IMPROVEMENTS FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

Receipts and transfers:	
Intergovernmental	\$ 95,153
Transfers in	<u>562,728</u>
Total receipts and transfers	<u>657,881</u>
Expenditures and transfers:	
Capital outlay	1,199,175
Contractual services	92,623
Transfers out	<u>35,000</u>
Total expenditures and transfers	<u>1,326,798</u>
Receipts and transfers under expenditures and transfers	(668,917)
Unencumbered cash, beginning	<u>1,769,545</u>
Unencumbered cash, ending	<u><u>\$ 1,100,628</u></u>

* This fund is not required to be budgeted.

(Continued)

CITY OF DE SOTO, KANSAS

CDBG FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

Receipts:		
Grant proceeds	\$	64,635
Transfers:		
Transfers out		<u>64,635</u>
Receipts over transfers		-
Unencumbered cash, beginning		<u>-</u>
Unencumbered cash, ending	\$	<u><u>-</u></u>

* This fund is not required to be budgeted.

(Continued)

CITY OF DE SOTO, KANSAS

WATER SYSTEM FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

	Budget	Actual	Variance Over (Under)
Receipts:			
Sales to consumers	\$ 1,627,640	\$ 1,868,455	\$ 240,815
Expenditures, encumbrances, and transfers:			
Personal services	\$ 573,862	543,616	\$ (30,246)
Contractual services	346,100	270,101	(75,999)
Commodities	345,100	315,773	(29,327)
Capital outlay	15,881	10,192	(5,689)
Electric Utility Loan Repayment	-	236,669	236,669
Transfer out	440,345	203,676	(236,669)
Total expenditures, encumbrances, and transfers	\$ 1,721,288	1,580,027	\$ (141,261)
Receipts over expenditures, encumbrances, and transfers		288,428	
Unencumbered cash, beginning		1,069,482	
Unencumbered cash, ending		\$ 1,357,910	

(Continued)

CITY OF DE SOTO, KANSAS

SEWER SYSTEM FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

	Budget	Actual	Variance Over (Under)
Receipts:			
Charges for services	\$ 540,025	\$ 590,062	\$ 50,037
Expenditures, encumbrances, and transfers:			
Personal services	\$ 149,444	136,530	\$ (12,914)
Capital outlay	-	1,537	1,537
Contractual services	221,500	163,498	(58,002)
Commodities	82,600	83,990	1,390
Electric Utility Loan Payment	-	16,675	16,675
Transfers out	156,675	140,000	(16,675)
Total expenditures, encumbrances, and transfers	\$ 610,219	542,230	\$ (67,989)
Receipts over expenditures, encumbrances, and transfers		47,832	
Unencumbered cash, beginning		230,081	
Unencumbered cash, ending		\$ 277,913	

(Continued)

CITY OF DE SOTO, KANSAS

REFUSE SYSTEM FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

	Budget	Actual	Variance Over (Under)
Receipts:			
Sales to consumers	\$ 548,000	\$ 526,107	\$ (21,893)
Expenditures and encumbrances:			
Contractual services	\$ 550,000	522,356	\$ (27,644)
Receipts over expenditures and encumbrances		3,751	
Unencumbered cash, beginning		54,526	
Unencumbered cash, ending		\$ 58,277	

(Continued)

CITY OF DE SOTO, KANSAS

SHOP FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)

Year Ended December 31, 2018

Receipts:	
Charges for services	\$ 123,380
Expenditures and encumbrances:	
Commodities	107,947
Contractual services	6,205
Miscellaneous	(168)
Capital outlay	895
Total expenditures and encumbrances	114,879
Receipts over expenditures and encumbrances	8,501
Unencumbered cash, beginning	(9,369)
Unencumbered cash, ending	\$ (868)

* This fund is not required to be budgeted.

(Continued)

CITY OF DE SOTO, KANSAS

SHUGHART TRUST FUND*

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS

(Continued)

Year Ended December 31, 2018

Receipts:	
Interest income	\$ 298
Unencumbered cash, beginning	<u>23,849</u>
Unencumbered cash, ending	<u><u>\$ 24,147</u></u>

* This fund is not required to be budgeted.

CITY OF DE SOTO, KANSAS
 AGENCY FUNDS
 SUMMARY OF RECEIPTS AND DISBURSEMENTS
 REGULATORY BASIS

Year Ended December 31, 2018

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
IRB fund	\$ 19,529	\$ -	\$ -	\$ 19,529
Municipal court fund	15,794	29,156	39,079	5,871
	<u>\$ 35,323</u>	<u>\$ 29,156</u>	<u>\$ 39,079</u>	<u>\$ 25,400</u>