



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

CITY OF DE SOTO, KANSAS

**FINANCIAL STATEMENT
WITH SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017**

CITY OF DE SOTO, KANSAS
 FINANCIAL STATEMENT
 WITH SUPPLEMENTARY INFORMATION
 REGULATORY BASIS

Year Ended December 31, 2017

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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, 2017 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 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, 2017, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

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

Berberich Trahan & Co., P.A.

April 4, 2018
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, 2017

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances
General fund	\$ 926,296	\$ -
Special purpose funds:		
Law enforcement	35,086	-
Special highway	15,090	-
Special parks and recreation	10,028	-
Transient guest tax	22,884	-
Sponsorship	15,715	-
Water development fee	25,308	-
Sewer development fee	23,350	-
Electric utility investment	967,250	-
Enhancement community fountain	990	-
Commerce Drive Tax Increment Fund	-	-
Bond and interest fund	842,604	-
Capital project funds:		
Capital projects	177,432	-
Capital improvements	1,754,049	-
CDBG	-	-
Business funds:		
Water system	935,784	-
Sewer system	268,571	-
Refuse system	40,908	-
Shop	(1,091)	-
Shughart trust fund	23,661	-
	<hr/>	<hr/>
Total reporting entity (excluding agency fund)	\$ 6,083,915	\$ -
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See accompanying notes to financial statement.

Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
\$ 4,007,961	\$ 3,561,837	\$ 1,372,420	\$ 31,871	\$ 1,404,291
481,488	453,808	62,766	113,359	176,125
161,906	165,000	11,996	-	11,996
31,608	25,000	16,636	-	16,636
35,748	21,000	37,632	-	37,632
5,060	1,172	19,603	-	19,603
58,900	25,000	59,208	-	59,208
93,000	30,000	86,350	-	86,350
112,417	28,251	1,051,416	-	1,051,416
-	189	801	-	801
106,122	-	106,122	-	106,122
1,560,002	1,568,201	834,405	-	834,405
13,820	191,252	-	-	-
3,373,741	3,358,245	1,769,545	61,195	1,830,740
60,000	60,000	-	-	-
1,691,549	1,557,852	1,069,481	12,607	1,082,088
536,244	574,734	230,081	17,357	247,438
427,337	413,719	54,526	181	54,707
148,223	156,501	(9,369)	9,430	61
188	-	23,849	-	23,849
<u>\$ 12,905,314</u>	<u>\$ 12,191,761</u>	<u>\$ 6,797,468</u>	<u>\$ 246,000</u>	<u>\$ 7,043,468</u>

Composition of cash

Great American Bank:		
Checking accounts		\$ 7,844
ICS (insured cash sweep)		3,728,837
Certificates of deposit		3,097,428
Tri-Century Bank - checking account		244,667
Kansas Municipal Investment Pool		<u>15</u>
Total cash		7,078,791
Agency fund per Schedule 3		<u>(35,323)</u>
Total reporting entity (excluding agency fund)		<u>\$ 7,043,468</u>

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT

December 31, 2017

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, 2017:

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, 2017.

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 – ten days
- Five to nine years of service – fifteen days
- Ten to fourteen years of service – twenty days
- Fifteen to nineteen years of service – twenty-five days
- Twenty or more years of service – thirty 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, 2017, the City has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>
Kansas Municipal Investment Pool	<u>\$ 15</u>	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, 2017.

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, 2017.

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT
(Continued)

3 - Deposits and Investments (Continued)

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.

At December 31, 2017, the City's carrying amount of deposits was \$ 7,078,776 and the bank balance was \$ 7,311,794. Of the bank balance, \$ 7,300,932 was covered by federal depository insurance and the remaining balance of \$ 10,862 was uncollateralized.

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, 2017, 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 with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from (non-school municipality) were \$148,460 for the year ended December 31, 2017.

Net Pension Liability

At December 31, 2017, the City's proportionate share of the collective net pension liability reported by KPERS was \$ 1,329,566. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and 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 the basic 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, 2017 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 2003 A	2.00% - 4.00%	4/15/2003	9/1/2017	\$ 1,180,000	\$ 30,000	\$ -	\$ 30,000	\$ -	\$ 1,200
Series 2009 A	4.10% - 5.25%	4/14/2009	9/1/2039	1,320,000	1,320,000	-	1,320,000	-	70,262
Series 2010 A	1.00% - 4.30%	4/28/2010	9/1/2030	1,285,000	1,060,000	-	1,060,000	-	45,456
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	3,500,000	-	285,000	3,215,000	81,773
Series 2013 A	2.30% - 5.00%	9/19/2013	9/1/2043	1,015,000	955,000	-	20,000	935,000	43,565
Series 2015 A	2.00% - 4.00%	7/24/2015	9/1/2045	9,635,000	9,210,000	-	430,000	8,780,000	285,488
Series 2015 B	1.25% - 4.00%	7/31/2015	9/1/2035	1,765,000	1,690,000	-	75,000	1,615,000	48,513
Series 2017 A	2.50% - 3.50%	9/28/2017	9/1/2039	2,285,000	-	2,285,000	-	2,285,000	-
					<u>\$ 19,640,000</u>	<u>\$ 2,285,000</u>	<u>\$ 3,220,000</u>	<u>\$ 18,705,000</u>	<u>\$ 696,467</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										
	2018	2019	2020	2021	2022	2023-2027	2028-2032	2033-2037	2038-2042	2043-2047	Total
Principal:											
General obligation bonds:											
Series 2010 B	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260,000	\$ 450,000	\$ -	\$ -	\$ 710,000
Series 2010 C	-	-	-	-	-	35,000	345,000	415,000	285,000	-	1,080,000
Series 2010 D	-	-	-	-	-	85,000	-	-	-	-	85,000
Series 2012 A	325,000	330,000	335,000	305,000	315,000	1,125,000	290,000	190,000	-	-	3,215,000
Series 2013 A	20,000	20,000	20,000	20,000	25,000	130,000	165,000	205,000	270,000	60,000	935,000
Series 2015 A	435,000	440,000	445,000	450,000	455,000	2,440,000	2,610,000	310,000	700,000	495,000	8,780,000
Series 2015 B	75,000	75,000	75,000	80,000	80,000	435,000	510,000	285,000	-	-	1,615,000
Series 2017 A	55,000	55,000	55,000	100,000	100,000	695,000	705,000	360,000	160,000	-	2,285,000
Total principal	910,000	920,000	930,000	955,000	975,000	4,945,000	4,885,000	2,215,000	1,415,000	555,000	18,705,000
Interest:											
General obligation bonds:											
Series 2010 B	27,690	27,690	27,690	27,690	27,690	138,450	133,576	35,880	-	-	446,356
Series 2010 C	40,536	40,536	40,536	40,536	40,536	202,680	172,645	104,083	22,396	-	704,484
Series 2010 D	3,910	3,910	3,910	3,910	3,910	16,790	-	-	-	-	36,340
Series 2012 A	76,073	69,573	62,973	56,273	50,173	148,938	54,450	8,415	-	-	526,868
Series 2013 A	43,105	42,645	42,185	41,725	40,925	189,625	157,538	114,413	56,750	3,000	731,911
Series 2015 A	276,888	268,188	259,388	250,488	236,988	931,290	547,140	275,183	178,195	38,750	3,262,498
Series 2015 B	47,875	46,938	46,000	44,500	42,900	180,550	110,300	22,600	-	-	541,663
Series 2017 A	65,594	69,262	67,612	65,962	62,962	265,910	147,776	66,678	8,400	-	820,156
Total interest	581,671	568,742	550,294	531,084	506,084	2,074,233	1,323,425	627,252	265,741	41,750	7,070,276
Total principal and interest	\$ 1,491,671	\$ 1,488,742	\$ 1,480,294	\$ 1,486,084	\$ 1,481,084	\$ 7,019,233	\$ 6,208,425	\$ 2,842,252	\$ 1,680,741	\$ 596,750	\$ 25,775,276

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

5 - Long-Term Debt (Continued)

Refunding

In the current year, the City issued Series 2017A General Obligation Refunding Bonds in the amount of \$ 2,285,000 which was used to currently refund \$ 1,320,000 of the outstanding balance of the Series 2009A General Obligation Bonds and \$1,020,000 of the outstanding balance of the Series 2010A General Obligation Bonds. The refunding transaction resulted in an economic gain of \$ 420,072 and a decrease in the future debt service payments of \$ 570,078.

6 - Interfund Transfers

A reconciliation of transfers by fund for 2017 follows:

From	To	Regulatory Authority	Amount
Water System Fund	General Fund	K.S.A. 12-825d	\$ 40,000
Water Development Fee Fund	Bond and Interest Fund	K.S.A. 12-825d	25,000
Sewer Development Fee Fund	Bond and Interest Fund	K.S.A. 12-825d	30,000
Water System Fund	Bond and Interest Fund	K.S.A. 12-825d	389,853
Sewer System Fund	Bond and Interest Fund	K.S.A. 12-825d	140,000
Special Highway Fund	Bond and Interest Fund	Bond Ord 2168	35,000
Capital Projects Fund	Bond and Interest Fund	Bond Ord 2168	35,000
General Fund	Capital Improvement Fund	K.S.A. 12-1118	425,589
Special Highway Fund	Capital Improvement Fund	K.S.A. 12-1118	130,000
Special Parks and Recreation Fund	Capital Improvement Fund	K.S.A. 12-1118	25,000
CDBG Fund	Capital Improvement Fund	K.S.A. 12-1118	60,000
Electric Utility Investment Fund	Capital Improvement Fund	K.S.A. 12-1118	28,251
Capital Projects Fund	Capital Improvement Fund	K.S.A. 12-1118	146,515

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. There is no cost to the City under this program.

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.

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 \$ 402,243. The General Fund and Water Fund paid the Electric Utility Investment Fund \$ 80,373 in 2017 for repayment of the vehicle advance. The balance of the advance remaining at December 31, 2017 was \$ 250,972.

CITY OF DE SOTO, KANSAS

NOTES TO FINANCIAL STATEMENT

(Continued)

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, 2017.

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.

SUPPLEMENTARY INFORMATION

CITY OF DE SOTO, KANSAS

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

Year Ended December 31, 2017

Fund	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General fund	\$ 3,608,350	\$ -	\$ 3,608,350	\$ 3,561,837	\$ (46,513)
Special purpose funds:					
Law enforcement	485,974	-	485,974	453,808	(32,166)
Special highway	165,000	-	165,000	165,000	-
Special parks and recreation	25,000	-	25,000	25,000	-
Transient guest tax	21,000	-	21,000	21,000	-
Sponsorship	3,100	-	3,100	1,172	(1,928)
Water development fee	25,000	-	25,000	25,000	-
Sewer development fee	30,000	-	30,000	30,000	-
Bond and interest fund	1,886,571	-	1,886,571	1,568,201	(318,370)
Business funds:					
Water system	1,756,821	-	1,756,821	1,557,852	(198,969)
Sewer system	626,994	-	626,994	574,734	(52,260)
Refuse system	425,400	-	425,400	413,719	(11,681)
Totals	<u>\$ 9,059,210</u>	<u>\$ -</u>	<u>\$ 9,059,210</u>	<u>\$ 8,397,323</u>	

CITY OF DE SOTO, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS

Year Ended December 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts and transfers:			
Property taxes	\$ 1,096,299	\$ 1,103,980	\$ 7,681
Sales and use taxes	1,128,000	1,578,028	450,028
Intergovernmental	12,000	14,750	2,750
Licenses and permits	30,600	108,647	78,047
Franchise fee	480,000	610,370	130,370
Charges for services	63,800	101,445	37,645
Use of money and property	66,489	57,651	(8,838)
Fines and fees	220,200	324,083	103,883
Miscellaneous	3,150	61,229	58,079
Interest income	6,000	7,778	1,778
Transfers in	40,000	40,000	-
Total receipts and transfers	<u>\$ 3,146,538</u>	<u>4,007,961</u>	<u>\$ 861,423</u>
Expenditures, encumbrances, and transfers:			
Personal services	\$ 1,841,451	1,785,371	\$ (56,080)
Contractual services	566,300	928,176	361,876
Commodities	689,153	345,506	(343,647)
Capital outlay	85,857	77,195	(8,662)
Transfers out	425,589	425,589	-
Total expenditures, encumbrances, and transfers	<u>\$ 3,608,350</u>	<u>3,561,837</u>	<u>\$ (46,513)</u>
Receipts and transfers over expenditures, encumbrances, and transfers		446,124	
Unencumbered cash, beginning		<u>926,296</u>	
Unencumbered cash, ending		<u>\$ 1,372,420</u>	

(Continued)

CITY OF DE SOTO, KANSAS

LAW ENFORCEMENT FUND

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

Year Ended December 31, 2017

	Budget	Actual	Variance Over (Under)
Receipts:			
Property taxes	\$ 479,732	\$ 481,488	\$ 1,756
Expenditures and encumbrances:			
Contractual services	\$ 481,974	453,808	\$ (28,166)
Capital outlay	4,000	-	(4,000)
Total expenditures and encumbrances	\$ 485,974	453,808	\$ (32,166)
Receipts over expenditures and encumbrances		27,680	
Unencumbered cash, beginning		35,086	
Unencumbered cash, ending		\$ 62,766	

(Continued)

CITY OF DE SOTO, KANSAS

SPECIAL HIGHWAY FUND

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

Year Ended December 31, 2017

	Budget	Actual	Variance Over (Under)
Receipts:			
Intergovernmental	\$ 156,710	\$ 161,906	\$ 5,196
Transfers:			
Transfers out	\$ 165,000	165,000	\$ -
Receipts under transfers		(3,094)	
Unencumbered cash, beginning		15,090	
Unencumbered cash, ending		\$ 11,996	

(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, 2017

	Budget	Actual	Variance Over (Under)
Receipts:			
Intergovernmental	\$ 13,000	\$ 14,750	\$ 1,750
Charges for services	11,500	16,858	5,358
Total receipts	\$ 24,500	31,608	\$ 7,108
Transfers:			
Transfers out	\$ 25,000	25,000	\$ -
Receipts over transfers		6,608	
Unencumbered cash, beginning		10,028	
Unencumbered cash, ending		\$ 16,636	

(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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts:			
Intergovernmental	<u>\$ 22,000</u>	\$ 35,748	<u>\$ 13,748</u>
Expenditures:			
Contractual services	<u>\$ 21,000</u>	<u>21,000</u>	<u>\$ -</u>
Receipts over expenditures		14,748	
Unencumbered cash, beginning		<u>22,884</u>	
Unencumbered cash, ending		<u>\$ 37,632</u>	

(Continued)

CITY OF DE SOTO, KANSAS

SPONSORSHIP FUND

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

Year Ended December 31, 2017

	Budget	Actual	Variance Over (Under)
Receipts:			
Charges for services	\$ 3,700	\$ 5,060	\$ 1,360
Expenditures:			
Commodities	\$ 3,100	1,172	\$ (1,928)
Receipts over expenditures		3,888	
Unencumbered cash, beginning		15,715	
Unencumbered cash, ending		\$ 19,603	

(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, 2017

	Budget	Actual	Variance Over (Under)
Receipts:			
Charges for services	\$ 18,000	\$ 58,900	\$ 40,900
Transfers:			
Transfers out	\$ 25,000	25,000	\$ -
Receipts over transfers		33,900	
Unencumbered cash, beginning		25,308	
Unencumbered cash, ending		\$ 59,208	

(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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts:			
Charges for services	<u>\$ 15,000</u>	\$ 93,000	<u>\$ 78,000</u>
Transfers:			
Transfers out	<u>\$ 30,000</u>	<u>30,000</u>	<u>\$ -</u>
Receipts over transfers		63,000	
Unencumbered cash, beginning		<u>23,350</u>	
Unencumbered cash, ending		<u>\$ 86,350</u>	

(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, 2017

Receipts:	
Interest income	\$ 28,251
Charges for services	<u>84,166</u>
Total receipts	112,417
Transfers:	
Transfers out	<u>28,251</u>
Receipts over expenditures and transfers	84,166
Unencumbered cash, beginning	<u>967,250</u>
Unencumbered cash, ending	<u><u>\$ 1,051,416</u></u>

* 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, 2017

Expenditures:		
Commodities	\$	189
Unencumbered cash, beginning		<u>990</u>
Unencumbered cash, ending	\$	<u><u>801</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, 2017

Receipts:		
Taxes	\$	106,122
Unencumbered cash, beginning		<u>-</u>
Unencumbered cash, ending	\$	<u><u>106,122</u></u>

* 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, 2017

	Budget	Actual	Variance Over (Under)
Receipts and transfers:			
Taxes	\$ 781,181	\$ 843,909	\$ 62,728
Miscellaneous	44,566	44,758	192
Interest income	5,000	9,591	4,591
Special assessments	8,276	6,891	(1,385)
Transfers in	654,853	654,853	-
Total receipts and transfers	\$ 1,493,876	1,560,002	\$ 66,126
Expenditures:			
Bond principal	\$ 747,020	880,000	\$ 132,980
Interest expense	688,201	688,201	-
Cash basis reserve	451,350	-	(451,350)
Total expenditures	\$ 1,886,571	1,568,201	\$ (318,370)
Receipts and transfers under expenditures		(8,199)	
Unencumbered cash, beginning		842,604	
Unencumbered cash, ending		\$ 834,405	

(Continued)

CITY OF DE SOTO, KANSAS

CAPITAL PROJECTS FUND*

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

Year Ended December 31, 2017

Receipts:	
Intergovernmental	\$ 13,820
Expenditures and transfers:	
Miscellaneous	9,737
Transfers out	181,515
Total expenditures and transfers	191,252
Receipts under expenditures and transfers	(177,432)
Unencumbered cash, beginning	177,432
Unencumbered cash, ending	\$ -

* This fund is not required to be budgeted.

(Continued)

CITY OF DE SOTO, KANSAS

CAPITAL IMPROVEMENTS FUND*

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

Year Ended December 31, 2017

Receipts and transfers:	
Intergovernmental	\$ 117,054
Bond proceeds	2,285,000
Bond premium	156,332
Transfers in	<u>815,355</u>
Total receipts and transfers	<u>3,373,741</u>
Expenditures and encumbrances:	
Capital outlay	930,507
Bond refunding	2,340,000
Interest	8,264
Cost of issuance	<u>79,474</u>
Total expenditures and encumbrances	<u>3,358,245</u>
Receipts and transfers over expenditures and encumbrances	15,496
Unencumbered cash, beginning	<u>1,754,049</u>
Unencumbered cash, ending	<u><u>\$ 1,769,545</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, 2017

Receipts:		
Grant proceeds	\$	60,000
Transfers:		
Transfers out		<u>60,000</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, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts:			
Sales to consumers	<u>\$ 1,535,929</u>	<u>\$ 1,691,549</u>	<u>\$ 155,620</u>
Expenditures, encumbrances, and transfers:			
Personal services	518,599	505,477	(13,122)
Contractual services	420,600	264,236	(156,364)
Commodities	376,100	346,617	(29,483)
Capital outlay	11,669	11,669	-
Transfer out	<u>429,853</u>	<u>429,853</u>	<u>-</u>
Total expenditures, encumbrances, and transfers	<u>\$ 1,756,821</u>	<u>1,557,852</u>	<u>\$ (198,969)</u>
Receipts over expenditures, encumbrances, and transfers		133,697	
Unencumbered cash, beginning		<u>935,784</u>	
Unencumbered cash, ending		<u>\$ 1,069,481</u>	

(Continued)

CITY OF DE SOTO, KANSAS

SEWER SYSTEM FUND

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

Year Ended December 31, 2017

	Budget	Actual	Variance Over (Under)
Receipts:			
Charges for services	\$ 477,873	\$ 536,244	\$ 58,371
Expenditures, encumbrances, and transfers:			
Personal services	\$ 147,669	138,970	\$ (8,699)
Capital outlay	16,675	18,139	1,464
Contractual services	217,100	198,714	(18,386)
Commodities	105,550	78,911	(26,639)
Transfers out	140,000	140,000	-
Total expenditures, encumbrances, and transfers	\$ 626,994	574,734	\$ (52,260)
Receipts under expenditures, encumbrances, and transfers		(38,490)	
Unencumbered cash, beginning		268,571	
Unencumbered cash, ending		\$ 230,081	

(Continued)

CITY OF DE SOTO, KANSAS

REFUSE SYSTEM FUND

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

Year Ended December 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Receipts:			
Sales to consumers	<u>\$ 433,350</u>	\$ 427,337	<u>\$ (6,013)</u>
Expenditures and encumbrances:			
Contractual services	<u>\$ 425,400</u>	<u>413,719</u>	<u>\$ (11,681)</u>
Receipts over expenditures and encumbrances		13,618	
Unencumbered cash, beginning		<u>40,908</u>	
Unencumbered cash, ending		<u>\$ 54,526</u>	

(Continued)

CITY OF DE SOTO, KANSAS

SHOP FUND*

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

Year Ended December 31, 2017

Receipts:	
Charges for services	\$ 148,223
Expenditures and encumbrances:	
Commodities	144,086
Contractual services	11,775
Capital outlay	640
Total expenditures and encumbrances	156,501
Receipts under expenditures and encumbrances	(8,278)
Unencumbered cash, beginning	(1,091)
Unencumbered cash, ending	\$ (9,369)

* 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, 2017

Receipts:		
Interest income	\$	188
Unencumbered cash, beginning		<u>23,661</u>
Unencumbered cash, ending	\$	<u><u>23,849</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, 2017

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
IRB fund	\$ 19,529	\$ -	\$ -	\$ 19,529
Municipal court fund	13,027	12,565	9,798	15,794
	<u>\$ 32,556</u>	<u>\$ 12,565</u>	<u>\$ 9,798</u>	<u>\$ 35,323</u>