

**CITY OF LA CYGNE, KANSAS**

Regulatory Basis Financial Statements and  
Independent Auditors' Report with  
Regulatory-Required Supplemental Information  
and Federal Compliance Section  
For the Year Ended December 31, 2018

**CITY OF LA CYGNE, KANSAS  
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Diehl

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Certified Public Accountants P.A.

**INDEPENDENT AUDITORS' REPORT**

To the Mayor and the City Council  
City of La Cygne, Kansas

We have audited the accompanying Summary Statement of Receipts, Expenditures, and Unencumbered Cash, Regulatory Basis, of the City of La Cygne, Kansas as of and for the year ended December 31, 2018 and the related notes to the financial statement.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraphs, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of La Cygne, Kansas as of December 31, 2018 or changes in financial position or cash flows thereof for the year then ended.

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

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the Summary Statement of Receipts, Expenditures, and Unencumbered Cash Balance, Regulatory Basis (basic financial statement) as a whole. The Summary of Expenditures – Actual and Budget, Regulatory Basis; Schedules of Receipts and Expenditures – Actual and Budget, Regulatory Basis; and the Schedule of Expenditure of Federal Awards (Schedules 1, 2, and the Federal Compliance Section as listed in the table of contents) is presented for analysis and is not a required part of the basic financial statement, however is required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide, and for purposes of additional analysis is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2019 on our consideration of the City of La Cygne, Kansas’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of La Cygne, Kansas’ internal control over financial reporting and compliance.

### **Prior Year Comparative Numbers**

The 2017 actual column presented in the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances and the individual fund schedules of regulatory basis receipts and expenditures – actual and budget (the financial statement and Schedule 2 as listed in the table of contents), are also presented for comparative analysis and was not a required part of the 2017 financial statement upon which we rendered an unqualified opinion dated April 19, 2018. The 2017 financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. Such 2017 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 basic financial statement or to the 2017 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the 2017 comparative information is fairly stated in all material respects in relation to the 2017 basic financial statement as a whole, on the basis of accounting described in Note 1.

*Diehl, Banwart, Bolton, CPAs PA*  
DIEHL, BANWART, BOLTON, CPAs PA

April 24, 2019  
Fort Scott, Kansas

**CITY OF LA CYGNE, KANSAS**  
**Summary Statement of Receipts, Expenditures, and Unencumbered Cash, Regulatory Basis**  
**For the Year Ended December 31, 2018**

Funds	Beginning		Receipts	Expenditures	Ending		Plus Encumbrances		Cash Balance
	Unencumbered	Cash Balance			Unencumbered	Cash Balance	and Accounts	Payable	
General Fund	\$ 875,116.86	\$ 825,446.55	\$ 899,628.83	\$ 800,934.58	\$ 2,953.02	\$ 803,887.60			
Special Purpose Funds									
Special Highway	118,871.95	211,849.28	27,673.15	303,048.08	-	303,048.08			
Special Park and Pool	27,059.99	88,785.64	89,091.02	26,754.61	-	26,754.61			
Special Park and Recreation	32,547.62	3,438.62	362.41	35,623.83	-	35,623.83			
Oak Lawn Cemetery	7,708.18	16,084.50	14,292.45	9,500.23	-	9,500.23			
Special Pool Reserve	28,773.47	187.71	-	28,961.18	-	28,961.18			
Equipment Reserve	283,948.45	68,000.00	-	351,948.45	-	351,948.45			
Capital Improvement	275,998.19	58,000.00	-	333,998.19	-	333,998.19			
Park and Pool Sales Tax	397,056.50	201,186.12	143,353.78	454,888.84	-	454,888.84			
Capital Project Funds									
Sidewalk Capital Project	2,956.00	76,075.50	81,132.00	(2,100.50)	-	(2,100.50)			
Water Project Phase I	0.08	-	-	0.08	-	0.08			
Water Project Phase II	(1,265,477.54)	1,392,828.88	336,702.32	(209,350.98)	141,701.95	(67,649.03)			
Bond and Interest Fund									
General Bond and Interest	20,455.97	38,361.09	38,302.50	20,514.56	-	20,514.56			
BUSINESS TYPE FUNDS									
Gas Utility	999,329.35	777,953.15	557,456.57	1,219,825.93	112,750.40	1,332,576.33			
Water Utility	751,831.10	453,950.19	416,616.43	789,164.86	24,837.58	814,002.44			
Sewer Utility	119,151.77	180,921.75	166,898.26	133,175.26	362.69	133,537.95			
Solid Waste Utility	7,735.44	17,642.91	15,978.45	9,399.90	-	9,399.90			
FIDUCIARY TYPE FUNDS									
Trust Funds									
Pollman Cemetery	55,800.48	1,307.81	404.91	56,703.38	-	56,703.38			
Energy Assistance	-	-	823.97	(823.97)	190.38	(633.59)			
Insurance Proceeds Trust	-	3,000.00	-	3,000.00	-	3,000.00			
Total Reporting Entity	\$ 2,738,863.86	\$ 4,415,019.70	\$ 2,788,717.05	\$ 4,365,166.51	\$ 282,796.02	\$ 4,647,962.53			

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

**CITY OF LA CYGNE, KANSAS**

Summary Statement of Receipts, Expenditures, and Unencumbered Cash, Regulatory Basis  
For the Year Ended December 31, 2018

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Plus Encumbrances and Accounts Payable	Cash Balance December 31, 2018
Total Reporting Entity	\$ 2,738,863.86	\$ 4,415,019.70	\$ 2,788,717.05	\$ 4,365,166.51	\$ 282,796.02	\$ 4,647,962.53
Composition of Cash						
						\$ 4,544,823.26
General Checking and Savings Accounts.....						45,098.54
Certificates of Deposit .....						125.00
Petty Cash .....						55,915.73
U.S. Government Treasury Bond.....						2,000.00
U.S. Government Series HH Bonds.....						\$ 4,647,962.53
Total Reporting Entity						

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

CITY OF LA CYGNE, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of La Cygne, Kansas, have been prepared in accordance with the State of Kansas regulatory basis of accounting for Kansas Municipalities, and is designed to show compliance with the cash basis and budget laws of the State of Kansas. The Kansas Municipal Audit and Accounting Guide (KMAAG), as approved by the director of the Kansas Division of Accounts and Reports, establishes the guidelines for the regulatory basis of accounting in the state of Kansas.

Reporting Entity

The City of La Cygne, Kansas is a municipal corporation governed by an elected five member City Council. This financial statement represents the City of La Cygne, Kansas, (the primary government) and its related entity. Related municipal entities may be included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

The following is a brief review of potential component units:

The La Cygne Housing Authority operates the City's housing projects. The Housing Authority can sue and be sued, and can buy, sell or lease real property. The City must approve Bond ordinances. The Housing Authority's financial statements should be included with the City's financial statements. However, the statements are omitted in an apparent departure from generally accepted accounting principles.

There are no other related entities related to the City which should be accounted for in the City's financial statements.

The City has elected to exclude the related entity from the basic financial statement.

Basis of Presentation - Fund Accounting

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, restriction, or limitations.

The following types of funds comprise the financial activities of the city:

General Fund - the chief operating fund used to account for all resources except those required to be accounted for in another fund.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

Regulatory Basis of Accounting and Departures from Accounting Principles Generally Accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis 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 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.

As discussed previously, related municipal entities are not included in this financial statement.

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.

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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



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

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. No budgets were amended this year.

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

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. 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 capital project funds, fiduciary funds, reserve accounts established by bond ordinances, and the following special revenue funds:

- Capital Improvement Fund (K.S.A. 12-1,118)
- Equipment Reserve Fund (K.S.A. 12-1,117)
- Special Pool Project Fund (K.S.A. 12-1,118)

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

**Deposits and Investments**

Cash includes amounts in demand and time deposit checking accounts. The Statutes of the State of Kansas allow Kansas municipalities to invest in savings accounts, certificates of deposit and United States Treasury Obligations. As of and during the year ended December 31, 2018, the City's funds were invested in an interest-bearing money market checking account, certificates of deposit, and U.S. Treasury bills or HH bonds, which are acceptable investments in accordance with Kansas statutes.

**Compensated Absences**

Full-time employees earn and accumulate vacation leave from 10 to 21 days a year after one to eight years of employment. Vacation is not earned for partial years worked. Vacation leave may accumulate from 18 to 30 days based on the number of years of employment with the City.

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

**Compensated Absences (Continued)**

Full-time employees earn and accumulate sick leave after six months of employment at the rate of one day per month worked. Sick leave may be accumulated up to 180 days. Accumulated sick leave is lost upon termination of employment with the City.

The City records a liability for compensated absences which meet the following criteria:

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

In accordance with the above criteria, the City has not accrued a liability for vacation pay which has been earned but not taken by City employees.

**Pension Plan**

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer statewide pension plan. The City's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State.

**Termination and Post Employment Benefits**

No termination benefits are provided to City employees when employment with the City ends except for the accrued compensated absences as discussed in Note 1.

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 local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government 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.

**Property Taxes**

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. At December 31, such taxes are a lien on the property.

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

Compliance with Kansas Statutes

This financial statement and the regulatory-required supplementary information is designed to show compliance with the cash basis and budget laws of Kansas. The apparent cash basis violations in the Water Project Funds were not violations due to grant money receivable at year end. The City was in apparent compliance with these laws, except as follows:

As shown in Schedule 1, the City was not in compliance with the budget laws of Kansas, K.S.A. 79-2935 as expenditures exceeded the budget in the Solid Waste Utility Fund.

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 Government is located 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 Government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Government'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 Government has no investment policy that would further limit its investment choices, but has limited the investments to time deposits at the local bank.

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

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Government's deposits may not be returned to it. State statutes require the Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not have any "peak periods" designated.

At December 31, 2018 the City's carrying amount of deposits was \$4,589,921.80 and the bank balance was \$4,682,311.39. The bank balance was primarily held by one bank resulting in a concentration of credit risk. Of the bank balance, \$500,000.00 was covered by federal depository insurance, and the remaining \$4,182,311.39 was collateralized with securities totaling \$4,739,412.07 held by the pledging financial institutions' agents in the City's name.

The City's investments consist of U.S. Treasury HH bonds recorded at cost of \$2,000 and a U.S. Treasury Bond with a cost of \$55,915.73, scheduled to mature in 2031. Market value is approximately the same as cost for the investments. The HH bonds are in the City's name and held in the City's safe deposit box at a local bank. The Treasury Bond is held by an agent in the City's safekeeping account.

#### 4. DEFINED BENEFIT PENSION PLAN

##### General Information about the Pension Plan

*Plan description.* The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publically available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

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

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.0% contribution rate for Death and Disability Program) and the statutory contribution rate was 8.49% for the year ended December 31, 2018. Contributions to the pension plan from the City were \$34,326.92 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 \$341,233. The total net pension liability as of June 30, 2018 was \$8,900,507,111. 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 nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

5. **CUSTOMER DEPOSITS**

Water and Gas customers are required to make cash deposits to the City when starting new water service. The deposits are refunded to the customers when service is terminated. At December 31, the City has \$51,212.27 of customer deposits, of which \$23,969.60 is included with Water Utility Fund cash and \$27,242.67 is included in Gas Utility Fund cash in these financial statements.

6. **MAJOR CUSTOMERS AND SUPPLIERS**

During 2018, the City purchased, from one vendor, gas totaling \$147,215.12 for resale to City customers of the Gas Utility Fund.

7. **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The City manages these risks of loss through various insurance policies.

8. **INTERFUND TRANSFERS**

Operating transfers during the year and the related statutory authority were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Equipment Reserve	12-1, 117	\$ 68,000.00
General	Capital Improvement	12-1, 118	58,000.00
General	Special Highway	12-1, 119	181,200.00

9. **CONTINGENCIES**

Grants are subject to additional audits by regulatory agents, the purpose of which is to ensure compliance with the specific conditions of the grants. Any liability for reimbursement which may arise as a result of the audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material and would not be payable by the City.

The City has signed contracts with two rural water districts (RWD's) to sell water to the districts at wholesale for resale to the patrons of the districts through the year May 2029. Starting in July 2007, the districts started to purchase water from another supplier and no longer buy significant amounts from the City. A mediated agreement was approved which requires the RWD's to make annual payments to assist the City in meeting the debt service requirements of the 2002 Water System Bonds discussed in Note 12. In 2018, these payments totaled \$38,297.50.

10. CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

<u>Pavillion Project</u>	
Project Authorization	
Grant	\$ 78,000.00
City Match	<u>78,176.00</u>
Total Authorization	<u>\$ 156,176.00</u>
Project Expenses - Actual	
Capital Outlays	<u>\$ 156,176.00</u>
<u>Water Project Phase I</u>	
Project Authorization	
USDA RD Loan	\$ 347,000.00
USDA RD Grant	668,000.00
CDBG Grant	<u>500,000.00</u>
Total Authorization	<u>\$ 1,515,000.00</u>
Project Expenses - Actual	
Capital Outlays	<u>\$ 1,106,649.88</u>
<u>Water Project Phase II</u>	
Project Authorization	
USDA RD Loan	\$ 2,603,000.00
USDA RD Grant	2,054,000.00
Interest Earned	<u>3,937.00</u>
Total Authorization	<u>\$ 4,660,937.00</u>
Project Expenses - Actual	
Capital Outlays	<u>\$ 4,466,244.20</u>

11. **SUBSEQUENT EVENTS**

Management has evaluated events and transactions occurring subsequent to December 31, 2018 through April 24, 2019, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring recognition in the financial statements or disclosure in the notes to the financial statements.

12. **LONG-TERM DEBT OBLIGATIONS**

Details about the City's long-term obligations, changes in long term debt, and current maturities for the next five years and thereafter are recorded on the following two pages:

12. LONG TERM OBLIGATIONS (Continued)

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balances		Additions/ New Debt	Reductions/ Principal Paid		Balances		
					Beginning of Year	End of Year		Principal Paid	End of Year	Interest Paid		
<u>General Obligation Bonds</u>												
Water System Series 2002	3.85% to 5%	8/30/2002	\$500,000	10/1/2022	\$ 175,000.00	\$ 145,000.00	\$ -	\$ 30,000.00	\$ 145,000.00	\$ 8,297.50		
Gas Refunding 2015	.25% to 2%	2/19/2015	825,000	10/1/2023	555,000.00	465,000.00	-	90,000.00	465,000.00	8,837.50		
Water Series A, 2015	2.75%	8/4/2015	347,000	8/4/2055	337,128.23	331,987.82	-	5,140.41	331,987.82	9,271.03		
Water Series B, 2015	2.75%	8/4/2015	2,603,000	8/4/2055	2,528,947.53	2,490,387.06	-	38,560.47	2,490,387.06	69,546.06		
<b>Total General Obligation Bonds</b>					<u>3,596,075.76</u>	<u>3,432,374.88</u>	<u>-</u>	<u>163,700.88</u>	<u>3,432,374.88</u>	<u>95,952.09</u>		
<u>Revenue Bonds</u>												
Pool Revenue Series 2009	2% to 5%	11/1/2009	1,620,000	11/1/2034	1,305,000.00	1,255,000.00	-	50,000.00	1,255,000.00	62,750.00		
<b>Total Temporary Notes</b>					<u>1,305,000.00</u>	<u>1,255,000.00</u>	<u>-</u>	<u>50,000.00</u>	<u>1,255,000.00</u>	<u>62,750.00</u>		
<u>Loan Agreements</u>												
Kansas Water Pollution Control Revolving Loan												
Wastewater Treatment	3.58%	2/22/2000	463,898	3/1/2021	142,397.43	108,669.88	-	33,727.55	108,669.88	4,798.65		
<b>Total Loan Agreements</b>					<u>142,397.43</u>	<u>108,669.88</u>	<u>-</u>	<u>33,727.55</u>	<u>108,669.88</u>	<u>4,798.65</u>		
<u>Capital Leases</u>												
1998 Pumper Truck	3.23%	7/8/2014	35,104	7/15/2019	14,733.34	7,485.31	-	7,248.03	7,485.31	482.35		
<b>Total Capital Leases</b>					<u>14,733.34</u>	<u>7,485.31</u>	<u>-</u>	<u>7,248.03</u>	<u>7,485.31</u>	<u>482.35</u>		
<b>Total Long Term Debt</b>					<u>\$ 5,058,206.53</u>	<u>\$ 4,803,530.07</u>	<u>\$ -</u>	<u>\$ 254,676.46</u>	<u>\$ 4,803,530.07</u>	<u>\$ 163,983.09</u>		



12. LONG TERM OBLIGATIONS (Continued)

PRINCIPAL	2019	2020	2021	2022	2023	2024	2028	2029	2033	2034	2038	2039	2043	2044	2048	2049	2053	2054	Totals
<b>General Obligation Bonds</b>																			
Water System Series 2002	\$ 35,000	\$ 35,000	\$ 35,000	\$ 40,000	\$ 95,000	\$ 95,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,000
Gas Refunding 2015	90,000	90,000	95,000	95,000	95,000	95,000	-	-	-	-	-	-	-	-	-	-	-	-	465,000
Water Series A, 2015	5,282	5,427	5,576	5,730	5,887	31,955	36,597	48,003	54,977	62,963	27,676	331,988							
Water Series B, 2015	39,621	40,710	41,830	42,980	44,162	239,710	274,534	360,092	412,404	472,316	207,610	2,490,387							
<b>Total General Obligation Bonds</b>	<b>169,903</b>	<b>171,137</b>	<b>177,406</b>	<b>183,710</b>	<b>145,049</b>	<b>271,665</b>	<b>311,131</b>	<b>408,096</b>	<b>467,381</b>	<b>535,279</b>	<b>235,287</b>	<b>3,432,375</b>							
<b>Revenue Bonds</b>																			
Pool Revenue Series 2009	50,000	55,000	55,000	60,000	65,000	360,000	450,000	160,000	-	-	-	-	-	-	-	-	-	-	1,255,000
<b>Total Revenue Bonds</b>	<b>50,000</b>	<b>55,000</b>	<b>55,000</b>	<b>60,000</b>	<b>65,000</b>	<b>360,000</b>	<b>450,000</b>	<b>160,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,255,000</b>
<b>Loan Agreements</b>																			
Kansas Water Pollution Control																			
Revolving Loan	34,946	36,208	37,516	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	108,670
<b>Total Loan Agreements</b>	<b>34,946</b>	<b>36,208</b>	<b>37,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>108,670</b>
<b>Capital Leases</b>																			
1998 Pumper Truck	7,485	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,485
<b>Total Capital Leases</b>	<b>7,485</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,485</b>
<b>TOTAL PRINCIPAL</b>	<b>\$ 262,334</b>	<b>\$ 262,346</b>	<b>\$ 269,922</b>	<b>\$ 243,710</b>	<b>\$ 210,049</b>	<b>\$ 631,665</b>	<b>\$ 761,131</b>	<b>\$ 408,096</b>	<b>\$ 467,381</b>	<b>\$ 535,279</b>	<b>\$ 235,287</b>	<b>\$ 4,803,530</b>							
<b>INTEREST</b>																			
<b>General Obligation Bonds</b>																			
Water System Series 2002	\$ 6,888	\$ 5,225	\$ 3,563	\$ 1,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,575
Gas Refunding 2015	7,938	6,813	5,463	3,800	1,900	1,900	-	-	-	-	-	-	-	-	-	-	-	-	25,913
Water Series A, 2015	9,130	8,984	8,835	8,682	8,524	40,102	35,460	24,054	17,081	9,094	1,147	201,235							
Water Series B, 2015	68,486	67,396	66,277	65,126	63,944	300,822	265,999	180,440	128,128	68,217	8,603	1,509,555							
<b>Total General Obligation Bonds</b>	<b>92,440</b>	<b>88,418</b>	<b>84,137</b>	<b>79,508</b>	<b>74,369</b>	<b>340,924</b>	<b>301,459</b>	<b>204,494</b>	<b>145,209</b>	<b>77,311</b>	<b>9,749</b>	<b>1,754,277</b>							
<b>Revenue Bonds</b>																			
Pool Revenue Series 2009	60,750	58,750	56,275	53,800	51,100	207,925	110,000	8,000	-	-	-	-	-	-	-	-	-	-	606,600
<b>Total Revenue Bonds</b>	<b>60,750</b>	<b>58,750</b>	<b>56,275</b>	<b>53,800</b>	<b>51,100</b>	<b>207,925</b>	<b>110,000</b>	<b>8,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>606,600</b>
<b>Loan Agreements</b>																			
Kansas Water Pollution Control																			
Revolving Loan	3,580	2,318	1,010	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,909
<b>Total Loan Agreements</b>	<b>3,580</b>	<b>2,318</b>	<b>1,010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,909</b>
<b>Capital Leases</b>																			
1998 Pumper Truck	245	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	245
<b>Total Capital Leases</b>	<b>245</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>245</b>
<b>TOTAL INTEREST</b>	<b>\$ 157,016</b>	<b>\$ 149,486</b>	<b>\$ 141,422</b>	<b>\$ 133,308</b>	<b>\$ 125,469</b>	<b>\$ 548,849</b>	<b>\$ 411,459</b>	<b>\$ 204,494</b>	<b>\$ 145,209</b>	<b>\$ 77,311</b>	<b>\$ 9,749</b>	<b>\$ 2,368,031</b>							

**CITY OF LA CYGNE, KANSAS**

**REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2018

Schedule 1

CITY OF LA CYGNE, KANSAS  
 Summary of Expenditures - Actual and Budget, Regulatory Basis  
 For the Year Ended December 31, 2018

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
<b>GOVERNMENTAL TYPE FUNDS</b>					
General Fund	\$ 1,685,576.00	\$ -	\$ 1,685,576.00	\$ 899,628.83	\$ (785,947.17)
<b>Special Revenue Funds</b>					
Special Highway	41,000.00	-	41,000.00	27,673.15	(13,326.85)
Special Park and Pool	91,126.00	-	91,126.00	89,091.02	(2,034.98)
Special Park and Recreation	30,850.00	-	30,850.00	362.41	(30,487.59)
Oak Lawn Cemetery	19,400.00	-	19,400.00	14,292.45	(5,107.55)
Park and Pool Sales Tax	312,750.00	-	312,750.00	143,353.78	(169,396.22)
Debt Service Fund					
General Bond and Interest	38,398.00	-	38,398.00	38,302.50	(95.50)
<b>PROPRIETARY TYPE FUNDS</b>					
<b>Enterprise Funds</b>					
Gas Utility	893,588.00	-	893,588.00	557,456.57	(336,131.43)
Water Utility	922,118.00	-	922,118.00	416,616.43	(505,501.57)
Sewer Utility	216,159.00	-	216,159.00	166,898.26	(49,260.74)
Solid Waste Utility	15,250.00	-	15,250.00	15,978.45	728.45
<b>FIDUCIARY TYPE FUNDS</b>					
<b>Trust Funds</b>					
Pollman Cemetery	700.00	-	700.00	404.91	(295.09)
	<u>\$ 4,266,915.00</u>				

CITY OF LA CYGNE, KANSAS  
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Ad Valorem property tax	\$ 433,704.40	\$ 441,367.69	\$ 443,996.00	\$ (2,628.31)
Delinquent tax	32,816.11	19,049.26	-	19,049.26
Motor vehicle tax	53,854.38	52,465.82	52,569.00	(103.18)
Franchise taxes	30,862.06	36,873.62	25,000.00	11,873.62
Sales tax	224,956.11	197,146.28	220,673.00	(23,526.72)
Local alcohol tax	4,003.17	2,917.97	5,008.00	(2,090.03)
Intergovernmental				
Compactor appropriation	3,900.00	3,900.00	3,900.00	-
Grants	-	4,435.00	5,100.00	(665.00)
Fines, Forfeitures and Penalties	71,016.69	47,180.00	38,000.00	9,180.00
Licenses and Permits				
Dog licenses	1,398.50	1,643.50	1,150.00	493.50
Other	2,740.00	3,994.07	2,750.00	1,244.07
Use of Money and Property				
Interest	3,501.35	3,545.51	1,500.00	2,045.51
Other				
Community building	1,985.00	1,595.00	1,000.00	595.00
Swanfest receipts	115.00	-	160.00	(160.00)
Miscellaneous	21,678.63	9,332.83	10,000.00	(667.17)
<b>Total Receipts</b>	<b>886,531.40</b>	<b>825,446.55</b>	<b>\$ 810,806.00</b>	<b>\$ 14,640.55</b>

**CITY OF LA CYGNE, KANSAS  
GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures				
General				
Personal services	\$ 38,146.98	\$ 39,658.03	\$ 66,719.00	\$ (27,060.97)
Contractual services	41,743.09	50,398.12	42,660.00	7,738.12
Commodities	8,595.93	5,849.19	11,478.00	(5,628.81)
Capital Outlay	1,191.75	2,750.00	20,000.00	(17,250.00)
General - Swan Fest				
Contractual services	13.82	1,756.64	2,300.00	(543.36)
Commodities	-	687.83	5,900.00	(5,212.17)
Public Safety - Police				
Personal services	151,463.59	126,034.02	129,500.00	(3,465.98)
Contractual services	36,315.51	35,207.32	46,800.00	(11,592.68)
Commodities	21,416.69	25,948.27	24,100.00	1,848.27
Capital Outlay	-	17,043.31	15,000.00	2,043.31
Public Safety - Fire				
Personal services	5,370.00	10,780.00	15,000.00	(4,220.00)
Contractual services	14,926.79	20,977.01	25,500.00	(4,522.99)
Commodities	12,176.49	4,652.65	10,030.00	(5,377.35)
Capital Outlay	3,000.00	-	10,065.00	(10,065.00)
Highways and Streets				
Personal services	4,910.29	774.73	15,000.00	(14,225.27)
Contractual services	19,275.35	12,984.83	30,053.00	(17,068.17)
Commodities	9,667.95	10,043.81	34,162.00	(24,118.19)
Capital Outlay	9,500.00	-	507,300.00	(507,300.00)
Cultural and Recreation - Community Building				
Personal services	83.30	133.83	250.00	(116.17)
Contractual services	6,471.75	8,907.59	10,020.00	(1,112.41)
Commodities	259.88	807.31	842.00	(34.69)
Capital Outlay	-	-	5,000.00	(5,000.00)
Public Cemetery				
Personal services	-	-	-	-
Contractual services	15,000.00	15,000.00	20,000.00	(5,000.00)
Commodities	-	-	-	-
Public Health				
Personal services	17,492.48	17,874.64	17,500.00	374.64
Contractual services	-	-	-	-
Commodities	6.99	-	-	-

**CITY OF LA CYGNE, KANSAS  
GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures (Continued)				
Emergency Preparedness				
Personal services	\$ -	\$ -	\$ 1,000.00	\$ (1,000.00)
Contractual services	-	-	1,000.00	(1,000.00)
Commodities	-	-	2,500.00	(2,500.00)
Employee Benefits				
Health insurance	95,988.66	83,862.57	235,380.00	(151,517.43)
KPERS	38,646.74	38,418.28	42,000.00	(3,581.72)
Social Security	38,905.40	37,670.73	38,837.00	(1,166.27)
Unemployment	506.47	423.04	14,000.00	(13,576.96)
Workers Compensation	8,980.00	15,502.00	25,000.00	(9,498.00)
Other	368.58	552.70	750.00	(197.30)
Debt Service on Capital Lease				
Lease payment	7,730.38	7,730.38	7,730.00	0.38
Operating Transfers to Other Funds				
Special Highway	90,000.00	181,200.00	181,200.00	-
Equipment Reserve	114,500.00	68,000.00	30,500.00	37,500.00
Capital Improvement	104,500.00	58,000.00	40,500.00	17,500.00
Total Expenditures	917,154.86	899,628.83	1,685,576.00	(785,947.17)
Qualifying Budget Credits				
Reimbursed Expenses	-	-	-	-
Total Expenditures	917,154.86	899,628.83	\$ 1,685,576.00	\$ (785,947.17)
Receipts Over (Under) Expenditures	(30,623.46)	(74,182.28)		
Unencumbered Cash, Beginning	905,740.32	875,116.86		
Unencumbered Cash, Ending	875,116.86	\$ 800,934.58		

**CITY OF LA CYGNE, KANSAS**  
**SPECIAL HIGHWAY FUND**

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
State gasoline tax	\$ 29,635.47	\$ 30,439.74	\$ 29,730.00	\$ 709.74
Use of Money and Property				
Interest	48.73	209.54	-	209.54
Other				
Miscellaneous	-	-	-	-
Operating Transfers from Other Funds				
General	90,000.00	181,200.00	181,200.00	
Total Receipts	<u>119,684.20</u>	<u>211,849.28</u>	<u>\$ 210,930.00</u>	<u>\$ 919.28</u>
Expenditures				
Streets and Highways				
Personal services	25,116.69	20,460.80	\$ 29,000.00	\$ (8,539.20)
Contractual services	1,936.98	1,362.65	6,000.00	(4,637.35)
Commodities	4,173.88	5,849.70	6,000.00	(150.30)
Total Expenditures	<u>31,227.55</u>	<u>27,673.15</u>	<u>\$ 41,000.00</u>	<u>\$ (13,326.85)</u>
Receipts Over (Under) Expenditures	88,456.65	184,176.13		
Unencumbered Cash, Beginning	<u>30,415.30</u>	<u>118,871.95</u>		
Unencumbered Cash, Ending	<u>\$ 118,871.95</u>	<u>\$ 303,048.08</u>		

CITY OF LA CYGNE, KANSAS  
SPECIAL PARK AND POOL FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
Lincoln Township appropriation	\$ 50,000.00	\$ 62,000.00	\$ 50,000.00	\$ 12,000.00
Use of Money and Property				
Interest	83.01	86.95	60.00	26.95
Other				
Pool receipts	16,563.05	19,800.32	13,800.00	6,000.32
Camping fees	4,293.00	4,452.00	4,300.00	152.00
Miscellaneous	4,222.05	2,446.37	4,400.00	(1,953.63)
<b>Total Receipts</b>	<b>75,161.11</b>	<b>88,785.64</b>	<b>\$ 72,560.00</b>	<b>\$ 16,225.64</b>
Expenditures				
Cultural and Recreation - Park				
Personal services	7,302.65	7,762.92	\$ 9,800.00	\$ (2,037.08)
Contractual services	14,699.59	13,919.35	12,600.00	1,319.35
Commodities	4,748.67	3,753.25	5,851.00	(2,097.75)
Capital Outlay	-	15,058.00	14,000.00	1,058.00
Cultural and Recreation - Pool				
Personal services	25,701.19	28,422.34	27,200.00	1,222.34
Contractual services	8,869.43	9,668.46	11,275.00	(1,606.54)
Commodities	8,202.46	10,506.70	10,000.00	506.70
Capital Outlay	-	-	400.00	(400.00)
<b>Total Expenditures</b>	<b>69,523.99</b>	<b>89,091.02</b>	<b>\$ 91,126.00</b>	<b>\$ (2,034.98)</b>
Receipts Over (Under) Expenditures	5,637.12	(305.38)		
Unencumbered Cash, Beginning	21,422.87	27,059.99		
Unencumbered Cash, Ending	<u>\$ 27,059.99</u>	<u>\$ 26,754.61</u>		



**CITY OF LA CYGNE, KANSAS**  
**SPECIAL PARK AND RECREATION FUND**  
Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Use of Money and Property				
Interest	\$ 116.17	\$ 120.66	\$ 100.00	\$ 20.66
Taxes				
Local alcohol tax	4,003.16	2,917.96	2,367.00	550.96
Intergovernmental				
County park appropriation	800.00	400.00	-	400.00
<b>Total Receipts</b>	<u>4,919.33</u>	<u>3,438.62</u>	<u>\$ 2,467.00</u>	<u>\$ 971.62</u>
<b>Expenditures</b>				
Recreation				
Contractual services	14.48	142.42	\$ 14,850.00	\$ (14,707.58)
Commodities	-	219.99	16,000.00	(15,780.01)
<b>Total Expenditures</b>	<u>14.48</u>	<u>362.41</u>	<u>\$ 30,850.00</u>	<u>\$ (30,487.59)</u>
Receipts Over (Under) Expenditures	4,904.85	3,076.21		
Unencumbered Cash, Beginning	<u>27,642.77</u>	<u>32,547.62</u>		
Unencumbered Cash, Ending	<u>\$ 32,547.62</u>	<u>\$ 35,623.83</u>		

**CITY OF LA CYGNE, KANSAS**  
**OAK LAWN CEMETERY FUND**

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018

With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Use of Money and Property				
Interest	\$ 21.93	\$ 11.86	\$ 15.00	\$ (3.14)
Lot Sales	-	-	200.00	(200.00)
Other				
Reimbursed expenses - General	15,000.00	15,000.00	20,000.00	(5,000.00)
Reimbursed expenses - Pollman	482.48	404.91	700.00	(295.09)
Miscellaneous	41.94	667.73	50.00	617.73
<b>Total Receipts</b>	<u>15,546.35</u>	<u>16,084.50</u>	<u>\$ 20,965.00</u>	<u>\$ (4,880.50)</u>
Expenditures				
General				
Personal services	10,370.20	10,615.89	\$ 13,000.00	\$ (2,384.11)
Contractual services	1,788.07	2,367.38	3,400.00	(1,032.62)
Commodities	1,400.39	1,309.18	3,000.00	(1,690.82)
<b>Total Expenditures</b>	<u>13,558.66</u>	<u>14,292.45</u>	<u>\$ 19,400.00</u>	<u>\$ (5,107.55)</u>
Receipts Over (Under) Expenditures	1,987.69	1,792.05		
Unencumbered Cash, Beginning	<u>5,720.49</u>	<u>7,708.18</u>		
Unencumbered Cash, Ending	<u>\$ 7,708.18</u>	<u>\$ 9,500.23</u>		

**CITY OF LA CYGNE, KANSAS**  
**SPECIAL POOL RESERVE FUND**  
 Schedule of Receipts and Expenditures - Actual, Regulatory Basis  
 For the Year Ended December 31, 2018  
 With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest	\$ 199.05	\$ 187.71
Total Receipts	199.05	187.71
Expenditures		
Cultural and Recreation - Pool		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	199.05	187.71
Unencumbered Cash, Beginning	28,574.42	28,773.47
Unencumbered Cash, Ending	\$ 28,773.47	\$ 28,961.18

**CITY OF LA CYGNE, KANSAS**  
**EQUIPMENT RESERVE FUND**

Schedule of Receipts and Expenditures - Actual, Regulatory Basis  
For the Year Ended December 31, 2018

With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfers from Other Funds		
General	\$ 114,500.00	\$ 68,000.00
Total Receipts	114,500.00	68,000.00
Expenditures		
Commodities	-	-
Capital Outlays	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	114,500.00	68,000.00
Unencumbered Cash, Beginning	169,448.45	283,948.45
Unencumbered Cash, Ending	<u>\$ 283,948.45</u>	<u>\$ 351,948.45</u>

**CITY OF LA CYGNE, KANSAS**  
**CAPITAL IMPROVEMENT FUND**  
 Schedule of Receipts and Expenditures - Actual, Regulatory Basis  
 For the Year Ended December 31, 2018  
 With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfers from Other Funds		
General	\$ 104,500.00	\$ 58,000.00
Total Receipts	104,500.00	58,000.00
Expenditures		
Capital Outlays	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	104,500.00	58,000.00
Unencumbered Cash, Beginning	171,498.19	275,998.19
Unencumbered Cash, Ending	\$ 275,998.19	\$ 333,998.19

**CITY OF LA CYGNE, KANSAS**  
**PARK AND POOL SALES TAX FUND**

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Sales Tax	\$ 224,956.08	\$ 197,146.21	\$ 220,673.00	\$ (23,526.79)
Use of Money and Property				
Interest	4,082.98	4,039.91	3,500.00	539.91
<b>Total Receipts</b>	<u>229,039.06</u>	<u>201,186.12</u>	<u>\$ 224,173.00</u>	<u>\$ (22,986.88)</u>
Expenditures				
Capital Outlays - Pool	110,150.86	30,603.78	\$ 200,000.00	\$ (169,396.22)
Debt Service on Bond				
Principal	50,000.00	50,000.00	50,000.00	-
Interest	64,625.00	62,750.00	62,750.00	-
<b>Total Expenditures</b>	<u>224,775.86</u>	<u>143,353.78</u>	<u>\$ 312,750.00</u>	<u>\$ (169,396.22)</u>
Receipts Over (Under) Expenditures	4,263.20	57,832.34		
Unencumbered Cash, Beginning	<u>392,793.30</u>	<u>397,056.50</u>		
Unencumbered Cash, Ending	<u>\$ 397,056.50</u>	<u>\$ 454,888.84</u>		

**CITY OF LA CYGNE, KANSAS**  
**PARK PAVILLION AND SIDEWALK CAPITAL PROJECT FUND**  
 Schedule of Receipts and Expenditures - Actual, Regulatory Basis  
 For the Year Ended December 31, 2018  
 With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grants	\$ 1,900.00	\$ 76,075.50
Other		
Reimbursed expenses - Cap Imp Fund	78,000.00	-
Total Receipts	79,900.00	76,075.50
Expenditures		
Capital Outlays	76,944.00	81,132.00
Total Expenditures	76,944.00	81,132.00
Receipts Over (Under) Expenditures	2,956.00	(5,056.50)
Unencumbered Cash, Beginning	-	2,956.00
Unencumbered Cash, Ending	\$ 2,956.00	\$ (2,100.50)

**CITY OF LA CYGNE, KANSAS**  
**WATER PROJECT PHASE I FUND**  
 Schedule of Receipts and Expenditures - Actual, Regulatory Basis  
 For the Year Ended December 31, 2018  
 With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
CDBG Grant	\$ 112,485.57	\$ -
USDA Grant	149,374.96	-
Use of Money and Property		
Proceeds from Bonds	-	-
<b>Total Receipts</b>	<b>261,860.53</b>	<b>-</b>
Expenditures		
Capital Outlays	168,423.77	-
<b>Total Expenditures</b>	<b>168,423.77</b>	<b>-</b>
Receipts Over (Under) Expenditures	93,436.76	-
Unencumbered Cash, Beginning	(93,436.68)	0.08
Unencumbered Cash, Ending	<u>\$ 0.08</u>	<u>\$ 0.08</u>



**CITY OF LA CYGNE, KANSAS**  
**WATER PROJECT PHASE II FUND**  
 Schedule of Receipts and Expenditures - Actual, Regulatory Basis  
 For the Year Ended December 31, 2018  
 With Comparative Actual Amounts for the Year Ended December 31, 2017

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Intergovernmental		
USDA Grant	\$ 257,127.32	\$ 1,392,828.88
Use of Money and Property		
Proceeds from Bonds	-	-
Other	912.36	-
Miscellaneous	-	-
	<u>258,039.68</u>	<u>1,392,828.88</u>
Total Receipts		
Expenditures		
Capital Outlays	<u>611,706.24</u>	<u>336,702.32</u>
Total Expenditures	<u>611,706.24</u>	<u>336,702.32</u>
Receipts Over (Under) Expenditures	(353,666.56)	1,056,126.56
Unencumbered Cash, Beginning	<u>(911,810.98)</u>	<u>(1,265,477.54)</u>
Unencumbered Cash, Ending	<u><u>\$(1,265,477.54)</u></u>	<u><u>\$ (209,350.98)</u></u>

CITY OF LA CYGNE, KANSAS  
GENERAL BOND AND INTEREST FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Use of Money and Property				
Interest	\$ 48.35	\$ 63.59	\$ 50.00	\$ 13.59
Other				
Debt Service Charges-Rural Water	39,677.50	38,297.50	38,298.00	(0.50)
Total Receipts	<u>39,725.85</u>	<u>38,361.09</u>	<u>\$ 38,348.00</u>	<u>\$ 13.09</u>
Expenditures				
Debt Service				
Principal	30,000.00	30,000.00	\$ 30,000.00	\$ -
Interest	9,677.50	8,297.50	8,298.00	(0.50)
Other	5.00	5.00	100.00	(95.00)
Total Expenditures	<u>39,682.50</u>	<u>38,302.50</u>	<u>\$ 38,398.00</u>	<u>\$ (95.50)</u>
Receipts Over (Under) Expenditures	43.35	58.59		
Unencumbered Cash, Beginning	<u>20,412.62</u>	<u>20,455.97</u>		
Unencumbered Cash, Ending	<u>\$ 20,455.97</u>	<u>\$ 20,514.56</u>		

CITY OF LA CYGNE, KANSAS  
GAS UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Operating Income				
Gas sales	\$ 634,933.25	\$ 739,531.82	\$ 600,000.00	\$ 139,531.82
Penalties	8,858.71	14,797.20	8,000.00	6,797.20
Miscellaneous	1,579.86	2,785.11	7,000.00	(4,214.89)
Use of Money and Property				
Interest	3,067.59	3,544.43	1,500.00	2,044.43
Other				
Customer deposits	9,634.98	6,950.00	7,500.00	(550.00)
Sales tax	8,170.84	10,344.59	11,500.00	(1,155.41)
Total Receipts	<u>666,245.23</u>	<u>777,953.15</u>	<u>\$ 635,500.00</u>	<u>\$ 142,453.15</u>
Expenditures				
Acquisition and Distribution				
Personal services	46,779.29	55,433.54	\$ 57,800.00	\$ (2,366.46)
Contractual services	17,332.78	51,634.75	39,800.00	11,834.75
Commodities	302,307.76	331,751.66	422,000.00	(90,248.34)
Nonoperating Expenses				
Sales tax	8,676.08	11,708.93	17,500.00	(5,791.07)
Customer deposits	8,055.06	8,090.19	7,650.00	440.19
Capital Outlays	10,941.14	-	250,000.00	(250,000.00)
Debt Service on Bonds				
Principal	90,000.00	90,000.00	90,000.00	-
Interest	9,512.50	8,837.50	8,838.00	(0.50)
Other	-	-	-	-
Debt Service on Capital Leases	-	-	-	-
Total Expenditures	<u>493,604.61</u>	<u>557,456.57</u>	<u>893,588.00</u>	<u>(336,131.43)</u>
Qualifying Budget Credits				
Bonds issued to refinance old bonds	-	-	-	-
Total Expenditures	<u>493,604.61</u>	<u>557,456.57</u>	<u>\$ 893,588.00</u>	<u>\$ (336,131.43)</u>
Receipts Over (Under) Expenditures	172,640.62	220,496.58		
Unencumbered Cash, Beginning	<u>826,688.73</u>	<u>999,329.35</u>		
Unencumbered Cash, Ending	<u>\$ 999,329.35</u>	<u>\$ 1,219,825.93</u>		

CITY OF LA CYGNE, KANSAS  
WATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017.

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Operating Income				
Water sales	\$ 401,236.42	\$ 422,030.48	\$ 375,000.00	\$ 47,030.48
Penalties	7,962.31	8,299.90	4,650.00	3,649.90
Miscellaneous	6,243.62	6,463.94	1,000.00	5,463.94
Use of Money and Property				
Interest	2,744.59	2,754.70	850.00	1,904.70
Other				
Customer deposits	11,105.85	9,875.00	4,000.00	5,875.00
Sales and protection taxes	5,163.39	4,526.17	4,200.00	326.17
Total Receipts	<u>434,456.18</u>	<u>453,950.19</u>	<u>\$ 389,700.00</u>	<u>\$ 64,250.19</u>
Expenditures				
Water Production				
Personal services	69,561.42	68,486.93	\$ 68,500.00	\$ (13.07)
Contractual services	48,408.46	56,480.64	80,350.00	(23,869.36)
Commodities	50,132.41	52,763.35	72,900.00	(20,136.65)
Water Distribution				
Personal services	63,051.23	63,316.01	55,000.00	8,316.01
Contractual services	26,312.45	27,648.92	35,700.00	(8,051.08)
Commodities	13,523.34	9,636.98	26,500.00	(16,863.02)
Nonoperating Expenses				
Deposit	9,707.27	10,433.72	4,100.00	6,333.72
Sales and protection taxes	6,437.49	5,331.91	6,900.00	(1,568.09)
Debt Service				
Principal	42,531.27	43,700.88	43,701.00	(0.12)
Interest	79,986.69	78,817.09	78,817.00	0.09
Capital Outlays				
Water Production	-	-	160,000.00	(160,000.00)
Water Distribution	-	-	289,650.00	(289,650.00)
Debt Service on Capital Leases				
Lease payment	-	-	-	-
Total Expenditures	<u>409,652.03</u>	<u>416,616.43</u>	<u>\$ 922,118.00</u>	<u>\$ (505,501.57)</u>
Receipts Over (Under) Expenditures	24,804.15	37,333.76		
Unencumbered Cash, Beginning	<u>727,026.95</u>	<u>751,831.10</u>		
Unencumbered Cash, Ending	<u>\$ 751,831.10</u>	<u>\$ 789,164.86</u>		

CITY OF LA CYGNE, KANSAS  
SEWER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Operating Income				
Sewer charges	\$ 117,477.05	\$ 118,205.03	\$ 110,000.00	\$ 8,205.03
Penalties	2,931.52	2,943.12	2,500.00	443.12
Linn County	40,279.00	58,807.00	54,000.00	4,807.00
Miscellaneous	509.24	636.47	2,500.00	(1,863.53)
Use of Money and Property				
Interest	196.20	330.13	100.00	230.13
Total Receipts	<u>161,393.01</u>	<u>180,921.75</u>	<u>\$ 169,100.00</u>	<u>\$ 11,821.75</u>
Expenditures				
Collection and Disposal				
Personal services	23,862.84	22,162.81	\$ 24,600.00	\$ (2,437.19)
Contractual services	21,132.57	24,032.30	25,950.00	(1,917.70)
Commodities	13,472.55	11,253.03	17,000.00	(5,746.97)
Capital Outlays	6,475.00	70,923.92	110,000.00	(39,076.08)
Debt Service on Capital Leases				
Lease payment	-	-	-	-
Debt Service on Revolving Loan				
Principal	32,551.78	33,727.55	33,728.00	(0.45)
Interest	5,974.42	4,798.65	4,881.00	(82.35)
Other	-	-	-	-
Total Expenditures	<u>103,469.16</u>	<u>166,898.26</u>	<u>\$ 216,159.00</u>	<u>\$ (49,260.74)</u>
Receipts Over (Under) Expenditures	57,923.85	14,023.49		
Unencumbered Cash, Beginning	<u>61,227.92</u>	<u>119,151.77</u>		
Unencumbered Cash, Ending	<u>\$ 119,151.77</u>	<u>\$ 133,175.26</u>		

**CITY OF LA CYGNE, KANSAS**  
**SOLID WASTE UTILITY FUND**

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Operating Income				
Customer service	\$ 16,554.11	\$ 17,518.39	\$ 15,000.00	\$ 2,518.39
Use of Money and Property				
Interest	9.06	14.38	15.00	(0.62)
Other				
Miscellaneous	305.31	110.14	150.00	(39.86)
<b>Total Receipts</b>	<u>16,868.48</u>	<u>17,642.91</u>	<u>\$ 15,165.00</u>	<u>\$ 2,477.91</u>
Expenditures				
Collection and Disposal				
Contractual services	13,171.38	15,978.45	\$ 15,250.00	\$ 728.45
<b>Total Expenditures</b>	<u>13,171.38</u>	<u>15,978.45</u>	<u>\$ 15,250.00</u>	<u>\$ 728.45</u>
Receipts Over (Under) Expenditures	3,697.10	1,664.46		
Unencumbered Cash, Beginning	4,038.34	7,735.44		
Unencumbered Cash, Ending	<u>\$ 7,735.44</u>	<u>\$ 9,399.90</u>		

**CITY OF LA CYGNE, KANSAS**  
**POLLMAN CEMETERY FUND**

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis  
For the Year Ended December 31, 2018  
With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Use of Money and Property				
Lot sales	\$ 2,700.00	\$ 900.00	\$ 1,000.00	\$ (100.00)
Interest	482.48	407.81	700.00	(292.19)
Total Receipts	<u>3,182.48</u>	<u>1,307.81</u>	<u>\$ 1,700.00</u>	<u>\$ (392.19)</u>
Expenditures				
Cemeteries				
Contractual services	482.48	404.91	\$ 700.00	\$ (295.09)
Total Expenditures	<u>482.48</u>	<u>404.91</u>	<u>\$ 700.00</u>	<u>\$ (295.09)</u>
Receipts Over (Under) Expenditures	2,700.00	902.90		
Unencumbered Cash, Beginning	<u>53,100.48</u>	<u>55,800.48</u>		
Unencumbered Cash, Ending	<u>\$ 55,800.48</u>	<u>\$ 56,703.38</u>		

**CITY OF LA CYGNE, KANSAS**  
**ENERGY ASSISTANCE FUND**  
 Schedule of Receipts and Expenditures - Actual, Regulatory Basis  
 For the Year Ended December 31, 2018  
 With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year Actual
Receipts		
Other		
Miscellaneous	\$ -	\$ -
<b>Total Receipts</b>	-	-
Expenditures		
Health and Welfare		
Contractual services	-	823.97
<b>Total Expenditures</b>	-	823.97
Receipts Over (Under) Expenditures	-	(823.97)
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ (823.97)



**CITY OF LA CYGNE, KANSAS**  
**INSURANCE PROCEEDS TRUST FUND**  
 Schedule of Receipts and Expenditures - Actual, Regulatory Basis  
 For the Year Ended December 31, 2018  
 With Comparative Actual Amounts for the Year Ended December 31, 2017

	Prior Year Actual	Current Year Actual
Receipts		
Other		
Miscellaneous	\$ -	\$ 3,000.00
<b>Total Receipts</b>	-	3,000.00
Expenditures		
Health and Welfare		
Contractual services	-	-
<b>Total Expenditures</b>	-	-
Receipts Over (Under) Expenditures	-	3,000.00
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ 3,000.00

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

**FEDERAL COMPLIANCE SECTION**

**CITY OF LACYGNE, KANSAS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT RECEIVED	AMOUNT EXPENDED
<u>U.S. Department of the Interior</u>			
Passed through the State of Kansas Department of Wildlife, Parks & Tourism			
Grant # 20-00766 (2)		\$ 76,075.50	\$ 78,000.00
Outdoor Recreation Acquisition, Development and Planning Program	15.916	76,075.50	78,000.00
<u>United States Department of Agriculture-Rural Development</u>			
Direct Programs			
Water and Waste Disposal Systems for Rural Communities (3)			
Grant - Phase II	10.760	1,392,828.88	1,436,747.71
Total		1,392,828.88	1,436,747.71
<b>TOTALS</b>		<b>\$ 1,468,904.38</b>	<b>\$ 1,514,747.71</b>

Notes to the Schedule of Expenditures of Federal Awards (SEFA):

- (1) Receipts consist of money actually received during the year ended December 31, 2018.
- (2) This grant was actually paid in the current year. The balance of the grant was received in 2019.
- (3) Expenditures are recorded on the modified accrual basis of accounting, which records expenses when the goods or services are received, plus accounts payable. Expenditures for these programs differ from the City's regulatory basis financial statements inasmuch as the City records expenditures when an encumbrance or contract is signed in accordance with the regulatory basis of accounting, whereas expenditures on the financial reports are recorded when the goods or services are received. Expenses according to the financial statement (regulatory basis) reconcile to the expenses above as follows:

Expenses reported above:

Grant	1,436,747.71
Total Expenses - SEFA	1,436,747.71
Less prior year encumbrances	(1,241,747.34)
Add current year encumbrances	141,701.95
Total Expenses per Financial Statement	<u>\$ 336,702.32</u>

- (4) Indirect costs were charged to the federal programs in accordance with the agreements with the grantors.
- (5) There were no subrecipients of Federal awards.

*Diehl*

*Banwart*

*Bolton*

*Certified Public Accountants PA*

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and City Council  
City of La Cygne, Kansas

**Report on Compliance for Each Major Federal Program**

We have audited the City of La Cygne, Kansas' (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditors' Responsibilities**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Diehl, Banwart, Bolton, CPAs, PA*

DIEHL, BANWART, BOLTON, CPAs PA

April 24, 2019  
Fort Scott, Kansas

*Diehl  
Banwart  
Bolton*

*Certified Public Accountants P.A.*

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council  
City of La Cygne, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statement of the City of La Cygne, Kansas, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of La Cygne, Kansas' basic financial statement, and have issued our report thereon dated April 24, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2018-001).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of La Cygne, Kansas' financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. We noted certain other matters that we reported to Management of the City in a separate letter dated April 24, 2019.

**The City of La Cygne, Kansas' Response to Findings**

The City of La Cygne, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questions costs, as well as the Corrective Action Plan. The City of La Cygne, Kansas' response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Dehl, Banwart, Bolton CPAs PA*

DIEHL, BANWART, BOLTON, CPAs PA

April 24, 2019  
Fort Scott, Kansas

**CITY OF LA CYGNE, KANSAS  
LA CYGNE, KANSAS**

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued:

The auditors' report was adverse for departures from accounting principles generally accepted in the United State of America due to the preparation of the financial statements in accordance with the Kansas regulatory basis of accounting. An unqualified opinion on the regulatory basis of accounting financial statement of the government was issued.

Internal control over financial reporting:

- Material weakness identified?                         Yes      X   No
- Significant deficiency identified?                  X   Yes         No
- Noncompliance material to financial statements noted?         Yes      X   No

**FEDERAL AWARDS**

Internal control over major programs:

- Material weakness identified?                         Yes      X   No
- Significant deficiency identified?                     Yes      X   None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?

     Yes      X              No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs:

\$      750,000

Auditee qualified as low-risk auditee?

     Yes      X   No



**SECTION II - FINANCIAL STATEMENT FINDINGS**

Significant Deficiency

2018-001 Drafting Financial Statement

Condition: As auditors, we provide significant assistance with adjusting entries, as well as determining which disclosures are required under the regulatory basis of accounting. This is a repeat finding from December 31, 2017 and was identified in that report as 2017-001.

Criteria: Internal controls should be in place that provide reasonable assurance that the financial statement is appropriate in form and contains the required disclosures.

Cause: Relying upon the independent auditors is a significant deficiency in internal controls as they cannot be considered part of the City's internal control.

Effect: Since the City relies on independent auditors to determine the financial statement is in the correct form and includes the proper disclosures, the City does not have controls in place for this.

Recommendation: None

Response: The City agrees with the finding. The City's response is in the attached Corrective Action Plan.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**THE CITY OF LACYGNE, KANSAS  
LACYGNE, KANSAS**

Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended December 30, 2018

Finding 2017-001 Drafting Financial Statements

Condition: The City's auditors, provide significant assistance with preparing their financial statement in the regulatory basis format as well as determining which disclosures are required.

Recommendation: None

Current Status: The City continues to rely on their auditors to assist in preparing the financial statement and disclosures. The City periodically reviews the situation. The City continues to believe this is the most cost-effective way to produce their financial statement. This remains a current year audit finding.

The City of La Cygne, Kansas (the City)

December 31, 2018 Financial Statement

Corrective Action Plan

Audit Finding 2018-001

The City has always relied upon its auditors to provide significant assistance with adjusting entries and with determining which disclosures were required under accounting principles generally accepted in the United States of America and the regulatory basis of accounting. While the City understands that this is a significant deficiency in our internal controls, we believe it is the most cost-effective manner for us to produce our financial statement. Our accounting staff concentrates on providing the reports needed for management purposes. We believe it would be inefficient and cost prohibitive for our staff to attempt to stay current on all the requirements of accounting principles generally accepted in the United States of America and the regulatory basis of accounting. We do not plan on making any changes at this time. However, we will monitor this situation and periodically determine if it is cost effective for us to perform these functions.