

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, 2016

**CITY OF LA CYGNE, KANSAS
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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, 2016 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, 2016 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, 2016, 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 May 17, 2017 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 2015 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 2015 financial statement upon which we rendered an unqualified opinion dated June 22, 2016. The 2015 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 2015 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 2015 basic financial statement. The 2015 comparative information was subjected to the auditing procedures applied in the audit of the 2015 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 2015 basic financial statement or to the 2015 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 2015 comparative information is fairly stated in all material respects in relation to the 2015 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

May 17, 2017
Fort Scott, Kansas

CITY OF LA CYGNE, KANSAS

Summary Statement of Receipts, Expenditures, and Unencumbered Cash, Regulatory Basis
For the Year Ended December 31, 2016

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Plus Encumbrances and Accounts Payable	Cash Balance December 31, 2016
General Fund	\$ 692,087.92	\$ 868,670.68	\$ 655,018.28	\$ 905,740.32	\$ 823.93	\$ 906,564.25
Special Purpose Funds						
Special Highway	23,704.37	29,827.18	23,116.25	30,415.30	-	30,415.30
Special Park and Pool	17,773.17	72,202.02	68,552.32	21,422.87	200.00	21,622.87
Special Park and Recreation	25,643.24	2,215.41	215.88	27,642.77	-	27,642.77
Oak Lawn Cemetery	2,939.30	16,124.33	13,343.14	5,720.49	20.37	5,740.86
Employee Benefit	95,616.11	-	95,616.11	-	-	-
Special Pool Reserve	28,387.58	186.84	-	28,574.42	-	28,574.42
Equipment Reserve	172,549.45	14,500.00	17,601.00	169,448.45	-	169,448.45
Capital Improvement	164,941.19	14,500.00	7,943.00	171,498.19	-	171,498.19
Park and Pool Sales Tax	556,046.12	148,094.09	311,346.91	392,793.30	-	392,793.30
Capital Project Funds						
Sidewalk Capital Project	5,100.00	341,851.10	346,951.10	-	-	-
Water Project Phase I	215,698.75	494,789.43	803,924.86	(93,436.68)	98,437.76	5,001.08
Water Project Phase II	1,928,311.25	3,024.66	2,843,146.89	(911,810.98)	2,235,924.94	1,324,113.96
Bond and Interest Fund						
General Bond and Interest	20,362.13	41,082.99	41,032.50	20,412.62	-	20,412.62
BUSINESS TYPE FUNDS						
Gas Utility	545,668.12	637,037.42	356,016.81	826,688.73	34,092.51	860,781.24
Water Utility	666,701.70	444,353.11	384,027.86	727,026.95	26,597.91	753,624.86
Sewer Utility	33,588.80	148,129.26	120,490.14	61,227.92	102.17	61,330.09
Solid Waste Utility	6,599.95	12,317.32	14,878.93	4,038.34	-	4,038.34
FIDUCIARY TYPE FUNDS						
Trust Funds						
Pollman Cemetery	51,098.54	2,560.23	558.29	53,100.48	-	53,100.48
Energy Assistance	-	6,312.64	6,312.64	-	7,483.62	7,483.62
Total Reporting Entity	<u>\$ 5,252,817.69</u>	<u>\$ 3,297,778.71</u>	<u>\$ 6,110,092.91</u>	<u>\$ 2,440,503.49</u>	<u>\$ 2,403,683.21</u>	<u>\$ 4,844,186.70</u>

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, 2016

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Plus Encumbrances and Accounts Payable	Cash Balance December 31, 2016
Total Reporting Entity	<u>\$ 5,252,817.69</u>	<u>\$ 3,297,778.71</u>	<u>\$ 6,110,092.91</u>	<u>\$ 2,440,503.49</u>	<u>\$ 2,403,683.21</u>	<u>\$ 4,844,186.70</u>

Composition of Cash

General Checking and Savings Accounts.....	\$ 3,881,547.43
Certificates of Deposit	904,598.54
Petty Cash	125.00
U.S. Government Treasury Bond.....	55,915.73
U.S. Government Series HH Bonds.....	2,000.00
Total Reporting Entity	<u>\$ 4,844,186.70</u>

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, 2016

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. Special Park and Pool and Sewer Utility 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, 2016, 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 accrued a liability totaling \$13,118.12 for vacation pay which has been earned but not taken by City employees. The liability is shown as a long-term obligation of the City, inasmuch as the liability is not expected to be paid with current resources.

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:

- Expenditures exceeded the budget in the Solid Waste Utility in apparent violation of K.S.A. 79-2935.

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, 2016 the City's carrying amount of deposits was \$4,786,145.97 and the bank balance was \$4,921,826.67. The bank balance was primarily held by one bank resulting in a concentration of credit risk. Of the bank balance, \$508,375.12 was covered by federal depository insurance, and the remaining \$4,413,451.55 was collateralized with securities totaling \$4,958,916.26 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 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 9.18% for the year ended December 31, 2016. Contributions to the pension plan from the City were \$34,019.79 for the year ended December 31, 2016.

Net Pension Liability

At December 31, 2016, the City's proportionate share of the collective net pension liability reported by KPERS was \$319,823. The total net pension liability as of June 30, 2016 was \$9,218,105,439. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. 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 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 \$46,793.31 of customer deposits, of which \$17,125.00 is included with Water Utility Fund cash and \$29,668.31 is included in Gas Utility Fund cash in these financial statements.

6. **MAJOR CUSTOMERS AND SUPPLIERS**

During 2016, 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	\$ 14,500.00
General	Capital Improvement	12-1, 118	14,500.00
Employee Benefit	General	79-2958	95,616.11

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 will make annual payments to assist the City in meeting the debt service requirements of the 2002 Water System Bonds discussed in Note 13. In 2016, these payments totaled \$41,027.50.

10. BUDGET AMENDMENTS

The budgets for the following funds were amended:

	2016 <u>Original</u>	2016 <u>Amended</u>
Special Park and Pool Fund		
Receipts		
Intergovernmental	\$ 50,000.00	\$ 50,000.00
Use of Money and Property	50.00	50.00
Other	<u>17,000.00</u>	<u>17,800.00</u>
Total Receipts	67,050.00	67,850.00
Unencumbered Cash, Beginning of year	<u>6,464.00</u>	<u>11,464.00</u>
Total Resources	<u>\$ 73,514.00</u>	<u>\$ 79,314.00</u>
Expenditures		
Cultural and Recreation - Park	\$ 22,250.00	\$ 27,250.00
Cultural and Recreation - Pool	<u>46,150.00</u>	<u>46,150.00</u>
Total Expenditures	<u>\$ 68,400.00</u>	<u>\$ 73,400.00</u>
	2016	2016
	<u>Original</u>	<u>Amended</u>
Sewer Utility Fund		
Receipts		
Operating Income	\$ 121,422.00	\$ 151,106.00
Use of Money and Property	<u>130.00</u>	<u>130.00</u>
Total Receipts	121,552.00	151,236.00
Unencumbered Cash, Beginning of year	<u>18,417.00</u>	<u>18,417.00</u>
Total Resources	<u>\$ 139,969.00</u>	<u>\$ 169,653.00</u>
Expenditures		
Collection and Disposal	\$ 87,500.00	\$ 117,184.00
Debt Service	<u>38,526.00</u>	<u>38,526.00</u>
Total Expenditures	<u>\$ 126,026.00</u>	<u>\$ 155,710.00</u>

11. CAPITAL PROJECTS

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

<u>Sidewalk Project</u>	
Project Authorization	
CDBG Grant	\$ 350,000.00
Local Share	<u>35,000.00</u>
Total Authorization	<u>\$ 385,000.00</u>
Project Expenses - Actual	
Capital Outlays	<u>\$ 376,851.10</u>

11. **CAPITAL PROJECTS** (Continued)

Water Project Phase I

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>\$ 938,226.11</u>

Water Project Phase II

Project Authorization	
USDA RD Loan	\$ 2,603,000.00
USDA RD Grant	<u>2,054,000.00</u>
Total Authorization	<u>\$ 4,657,000.00</u>
Project Expenses - Actual	
Capital Outlays	<u>\$ 3,517,835.64</u>

12. **SUBSEQUENT EVENTS**

Management has evaluated events and transactions occurring subsequent to December 31, 2016 through May 17, 2017, 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, except as follows:

- The City Council has approved a water line replacement project in the City with an estimated cost of \$6,172,000, to be funded with a Community Development Block Grant of \$500,000; a USDA Rural Development grant of \$2,722,000; and general obligation bonds totaling \$2,950,000 for a term of 40 years at 2.75% interest. The project is expected to be completed in 2017.

13. **LONG-TERM DEBT OBLIGATIONS**

On February 19, 2015, the City issued \$825,000 of refunding general obligation bonds. The proceeds were used to pay off the Series 2009 bonds totaling \$785,000. The expected savings from the refunding issue is \$122.50, and the present value of the savings is \$33,923.96.

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:

13. LONG TERM OBLIGATIONS (Continued)

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balances Beginning of Year	Additions/ New Debt	Reductions/ Principal Paid	Balances 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	\$ 235,000.00	\$ -	\$ 30,000.00	\$ 205,000.00	\$ 11,027.50
Gas Refunding 2015	.25% to 2%	2/19/2015	825,000	10/1/2023	735,000.00	-	90,000.00	645,000.00	9,962.50
Water Series A, 2015	2.75%	8/4/2015	347,000	8/4/2055	347,000.00	-	4,868.94	342,131.06	9,542.50
Water Series B, 2015	2.75%	8/4/2015	2,603,000	8/4/2055	2,603,000.00	-	36,524.03	2,566,475.97	71,582.50
Total General Obligation Bonds					<u>3,920,000.00</u>	<u>-</u>	<u>161,392.97</u>	<u>3,758,607.03</u>	<u>102,115.00</u>
<u>Revenue Bonds</u>									
Pool Revenue Series 2009	2% to 5%	11/1/2009	1,620,000	11/1/2034	1,400,000.00	-	45,000.00	1,355,000.00	66,200.00
Total Temporary Notes					<u>1,400,000.00</u>	<u>-</u>	<u>45,000.00</u>	<u>1,355,000.00</u>	<u>66,200.00</u>
<u>Loan Agreements</u>									
Kansas Water Pollution Control Revolving Loan									
Wastewater Treatment	3.58%	2/22/2000	463,898	3/1/2021	206,366.18	-	31,416.97	174,949.21	7,109.23
Total Loan Agreements					<u>206,366.18</u>	<u>-</u>	<u>31,416.97</u>	<u>174,949.21</u>	<u>7,109.23</u>
<u>Capital Leases</u>									
1998 Pumper Truck	3.23%	7/8/2014	35,104	7/15/2019	28,544.91	-	6,793.30	21,751.61	937.08
Total Capital Leases					<u>28,544.91</u>	<u>-</u>	<u>6,793.30</u>	<u>21,751.61</u>	<u>937.08</u>
Total Long Term Debt					<u>\$ 5,554,911.09</u>	<u>\$ -</u>	<u>\$ 244,603.24</u>	<u>\$ 5,310,307.85</u>	<u>\$176,361.31</u>

PRINCIPAL	2017	2018	2019	2020	2021	2022 2026	2027 2031	2032 2036	2037 2041	2042 2046	2047 2051	2052 2056	Totals
<u>General Obligation Bonds</u>													
Water System Series 2002	\$ 30,000	\$ 30,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,000
Gas Refunding 2015	90,000	90,000	90,000	90,000	95,000	190,000	-	-	-	-	-	-	645,000
Water Series A, 2015	5,003	5,140	5,282	5,427	5,576	30,268	34,665	39,701	45,468	52,073	59,638	53,891	342,131
Water Series B, 2015	37,528	38,560	39,621	40,710	41,830	227,051	260,035	297,811	341,075	390,625	447,372	404,257	2,566,476
Total General Obligation Bonds	162,531	163,701	169,903	171,137	177,406	487,318	294,700	337,512	386,543	442,698	507,010	458,147	3,758,607
<u>Revenue Bonds</u>													
Pool Revenue Series 2009	50,000	50,000	50,000	55,000	55,000	330,000	410,000	355,000	-	-	-	-	1,355,000
Total Revenue Bonds	50,000	50,000	50,000	55,000	55,000	330,000	410,000	355,000	-	-	-	-	1,355,000
<u>Loan Agreements</u>													
Kansas Water Pollution Control													
Revolving Loan	32,552	33,728	34,946	36,208	37,516	-	-	-	-	-	-	-	174,949
Total Loan Agreements	32,552	33,728	34,946	36,208	37,516	-	-	-	-	-	-	-	174,949
<u>Capital Leases</u>													
1998 Pumper Truck	7,018	7,248	7,485	-	-	-	-	-	-	-	-	-	21,752
Total Capital Leases	7,018	7,248	7,485	-	-	-	-	-	-	-	-	-	21,752
TOTAL PRINCIPAL	\$ 252,101	\$ 254,676	\$ 262,334	\$ 262,346	\$ 269,922	\$ 817,318	\$ 704,700	\$ 692,512	\$ 386,543	\$ 442,698	\$ 507,010	\$ 458,147	\$ 5,310,308
<u>INTEREST</u>													
<u>General Obligation Bonds</u>													
Water System Series 2002	\$ 9,678	\$ 8,298	\$ 6,888	\$ 5,225	\$ 3,563	\$ 1,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,550
Gas Refunding 2015	9,513	8,838	7,938	6,813	5,463	5,700	-	-	-	-	-	-	44,263
Water Series A, 2015	9,409	9,271	9,130	8,984	8,835	41,790	37,392	32,357	26,589	19,984	12,419	3,755	219,915
Water Series B, 2015	70,578	69,546	68,486	67,396	66,277	253,282	287,457	250,692	208,586	160,363	105,134	41,882	1,649,679
Total General Obligation Bonds	99,177	95,952	92,440	88,418	84,137	302,672	324,850	283,049	235,175	180,347	117,553	45,638	1,949,406
<u>Revenue Bonds</u>													
Pool Revenue Series 2009	64,625	62,750	60,750	58,750	58,750	254,600	171,500	61,000	-	-	-	-	792,725
Total Revenue Bonds	64,625	62,750	60,750	58,750	58,750	254,600	171,500	61,000	-	-	-	-	792,725
<u>Loan Agreements</u>													
Kansas Water Pollution Control													
Revolving Loan	5,974	4,799	3,580	2,318	2,318	1,010	-	-	-	-	-	-	20,000
Total Loan Agreements	5,974	4,799	3,580	2,318	2,318	1,010	-	-	-	-	-	-	20,000
<u>Capital Leases</u>													
1998 Pumper Truck	712	482	245	-	-	-	-	-	-	-	-	-	1,440
Total Capital Leases	712	482	245	-	-	-	-	-	-	-	-	-	1,440
TOTAL INTEREST	\$ 170,488	\$ 163,983	\$ 157,016	\$ 149,486	\$ 145,205	\$ 558,282	\$ 496,350	\$ 344,049	\$ 235,175	\$ 180,347	\$ 117,553	\$ 45,638	\$ 2,763,571

CITY OF LA CYGNE, KANSAS

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2016

CITY OF LA CYGNE, KANSAS
 Summary of Expenditures - Actual and Budget, Regulatory Basis
 For the Year Ended December 31, 2016

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
GOVERNMENTAL TYPE FUNDS					
General Fund	\$ 1,593,967.00	\$ -	\$ 1,593,967.00	\$ 655,018.28	\$ (938,948.72)
Special Revenue Funds					
Special Highway	41,000.00	-	41,000.00	23,116.25	(17,883.75)
Special Park and Pool	73,400.00	-	73,400.00	68,552.32	(4,847.68)
Special Park and Recreation	17,350.00	-	17,350.00	215.88	(17,134.12)
Oak Lawn Cemetery	19,400.00	-	19,400.00	13,343.14	(6,056.86)
Employee Benefit	152,026.00	-	152,026.00	95,616.11	(56,409.89)
Park and Pool Sales Tax	321,200.00	-	321,200.00	311,346.91	(9,853.09)
Debt Service Fund					
General Bond and Interest	41,078.00	-	41,078.00	41,032.50	(45.50)
PROPRIETARY TYPE FUNDS					
Enterprise Funds					
Gas Utility	882,963.00	-	882,963.00	356,016.81	(526,946.19)
Water Utility	924,608.00	-	924,608.00	384,027.86	(540,580.14)
Sewer Utility	155,710.00	-	155,710.00	120,490.14	(35,219.86)
Solid Waste Utility	14,660.00	-	14,660.00	14,878.93	218.93
FIDUCIARY TYPE FUNDS					
Trust Funds					
Pollman Cemetery	1,250.00	-	1,250.00	558.29	(691.71)
	<u>\$ 4,238,612.00</u>				

CITY OF LA CYGNE, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Ad Valorem property tax	\$ 164,801.53	\$ 422,263.39	\$ 415,261.00	\$ 7,002.39
Delinquent tax	18,327.73	27,830.35	-	27,830.35
Motor vehicle tax	23,023.46	47,180.34	20,128.00	27,052.34
Franchise taxes	28,702.22	33,261.68	25,000.00	8,261.68
Sales tax	239,196.85	144,138.75	250,000.00	(105,861.25)
Local alcohol tax	3,003.40	2,115.72	3,603.00	(1,487.28)
Intergovernmental				
Compactor appropriation	3,900.00	3,900.00	3,900.00	-
Grants	-	6,247.03	12,500.00	(6,252.97)
Fines, Forfeitures and Penalties	49,220.08	44,755.95	37,050.00	7,705.95
Licenses and Permits				
Dog licenses	1,356.00	1,392.00	1,000.00	392.00
Other	2,841.00	2,434.00	200.00	2,234.00
Use of Money and Property				
Interest	2,329.31	3,125.53	1,200.00	1,925.53
Other				
Community building	1,655.00	1,555.00	750.00	805.00
Swanfest receipts	1,485.80	180.00	2,000.00	(1,820.00)
Miscellaneous	9,461.75	32,674.83	-	32,674.83
Operating Transfers from Other Funds				
Employee Benefits Fund	126,738.00	95,616.11	152,026.00	(56,409.89)
Total Receipts	676,042.13	868,670.68	\$ 924,618.00	\$ (55,947.32)

CITY OF LA CYGNE, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures				
General				
Personal services	\$ 31,579.76	\$ 30,658.93	\$ 71,600.00	\$ (40,941.07)
Contractual services	38,547.42	36,073.32	42,663.00	(6,589.68)
Commodities	7,825.89	5,883.10	11,478.00	(5,594.90)
Capital Outlay	7,035.00	5,341.50	36,844.00	(31,502.50)
General - Swan Fest				
Contractual services	1,210.88	92.95	2,300.00	(2,207.05)
Commodities	3,624.92	-	2,300.00	(2,300.00)
Public Safety - Police				
Personal services	129,731.33	123,098.09	112,800.00	10,298.09
Contractual services	29,648.17	33,327.56	42,800.00	(9,472.44)
Commodities	18,393.86	21,458.75	34,600.00	(13,141.25)
Capital Outlay	33,907.96	37,302.96	33,130.00	4,172.96
Public Safety - Fire				
Personal services	6,970.00	10,354.24	11,000.00	(645.76)
Contractual services	12,915.16	16,354.51	26,700.00	(10,345.49)
Commodities	6,633.55	2,645.46	10,030.00	(7,384.54)
Capital Outlay	-	26,539.14	12,865.00	13,674.14
Highways and Streets				
Personal services	2,553.96	6,959.30	15,000.00	(8,040.70)
Contractual services	10,156.40	9,962.67	29,403.00	(19,440.33)
Commodities	9,636.32	10,551.03	72,062.00	(61,510.97)
Capital Outlay	-	1,200.00	546,835.00	(545,635.00)
Cultural and Recreation - Community Building				
Personal services	140.12	76.00	150.00	(74.00)
Contractual services	6,970.22	7,243.95	11,520.00	(4,276.05)
Commodities	466.39	2,232.76	842.00	1,390.76
Capital Outlay	-	-	-	-
Public Cemetery				
Personal services	-	160.00	-	160.00
Contractual services	17,260.00	39,483.60	20,000.00	19,483.60
Commodities	-	5,953.04	-	5,953.04
Public Health				
Personal services	16,288.32	17,139.02	17,500.00	(360.98)
Contractual services	-	-	-	-
Commodities	-	-	-	-

CITY OF LA CYGNE, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures (Continued)				
Emergency Preparedness				
Personal services	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	2,250.00	(2,250.00)
Commodities	3,746.54	288.23	2,250.00	(1,961.77)
Employee Benefits				
Health insurance	-	89,956.98	235,380.00	(145,423.02)
KPERs	-	33,870.69	35,143.00	(1,272.31)
Social Security	-	33,607.28	38,837.00	(5,229.72)
Unemployment	-	425.87	11,955.00	(11,529.13)
Workers Compensation	-	9,573.00	25,000.00	(15,427.00)
Other	-	473.97	-	473.97
Debt Service on Capital Lease				
Lease payment	17,706.23	7,730.38	7,730.00	0.38
Operating Transfers to Other Funds				
Equipment Reserve	40,500.00	14,500.00	40,500.00	(26,000.00)
Capital Improvement	30,500.00	14,500.00	30,500.00	(16,000.00)
Total Expenditures	483,948.40	655,018.28	1,593,967.00	(938,948.72)
Qualifying Budget Credits				
Reimbursed Expenses	-	-	-	-
Total Expenditures	483,948.40	655,018.28	\$ 1,593,967.00	\$ (938,948.72)
Receipts Over (Under) Expenditures	192,093.73	213,652.40		
Unencumbered Cash, Beginning	499,994.19	692,087.92		
Unencumbered Cash, Ending	692,087.92	\$ 905,740.32		

CITY OF LA CYGNE, KANSAS
SPECIAL HIGHWAY FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
State gasoline tax	\$ 29,431.44	\$ 29,544.13	\$ 29,030.00	\$ 514.13
Use of Money and Property				
Interest	41.74	48.10	15.00	33.10
Other				
Miscellaneous	-	234.95	-	234.95
Total Receipts	<u>29,473.18</u>	<u>29,827.18</u>	<u>\$ 29,045.00</u>	<u>\$ 782.18</u>
Expenditures				
Streets and Highways				
Personal services	24,479.77	20,156.14	\$ 29,000.00	\$ (8,843.86)
Contractual services	105.00	1,182.61	6,000.00	(4,817.39)
Commodities	1,573.00	1,777.50	6,000.00	(4,222.50)
Total Expenditures	<u>26,157.77</u>	<u>23,116.25</u>	<u>\$ 41,000.00</u>	<u>\$ (17,883.75)</u>
Receipts Over (Under) Expenditures	3,315.41	6,710.93		
Unencumbered Cash, Beginning	<u>20,388.96</u>	<u>23,704.37</u>		
Unencumbered Cash, Ending	<u>\$ 23,704.37</u>	<u>\$ 30,415.30</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, 2016

With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
Lincoln Township appropriation	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00	\$ -
Use of Money and Property				
Interest	109.65	87.78	50.00	37.78
Other				
Pool receipts	13,024.78	15,670.37	14,000.00	1,670.37
Camping fees	5,668.00	5,281.00	3,000.00	2,281.00
Miscellaneous	1,052.67	1,162.87	800.00	362.87
Total Receipts	<u>69,855.10</u>	<u>72,202.02</u>	<u>\$ 67,850.00</u>	<u>\$ 4,352.02</u>
Expenditures				
Cultural and Recreation - Park				
Personal services	8,873.10	9,662.16	\$ 9,200.00	\$ 462.16
Contractual services	6,918.57	8,769.97	9,950.00	(1,180.03)
Commodities	3,548.20	4,730.02	7,100.00	(2,369.98)
Capital Outlay	555.45	146.99	1,000.00	(853.01)
Cultural and Recreation - Pool				
Personal services	23,383.92	26,962.26	25,000.00	1,962.26
Contractual services	8,174.43	9,850.47	8,050.00	1,800.47
Commodities	8,934.83	8,430.45	12,700.00	(4,269.55)
Capital Outlay	-	-	400.00	(400.00)
Total Expenditures	<u>60,388.50</u>	<u>68,552.32</u>	<u>\$ 73,400.00</u>	<u>\$ (4,847.68)</u>
Receipts Over (Under) Expenditures	9,466.60	3,649.70		
Unencumbered Cash, Beginning	<u>8,306.57</u>	<u>17,773.17</u>		
Unencumbered Cash, Ending	<u>\$ 17,773.17</u>	<u>\$ 21,422.87</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, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Receipts				
Use of Money and Property				
Interest	\$ 43.00	\$ 99.70	\$ 30.00	\$ 69.70
Taxes				
Local alcohol tax	3,003.39	2,115.71	3,603.00	(1,487.29)
Intergovernmental				
County park appropriation	800.00	-	-	-
Total Receipts	<u>3,846.39</u>	<u>2,215.41</u>	<u>\$ 3,633.00</u>	<u>\$ (1,417.59)</u>
Expenditures				
Recreation				
Contractual services	13.22	12.28	\$ 1,350.00	\$ (1,337.72)
Commodities	205.14	203.60	16,000.00	(15,796.40)
Total Expenditures	<u>218.36</u>	<u>215.88</u>	<u>\$ 17,350.00</u>	<u>\$ (17,134.12)</u>
Receipts Over (Under) Expenditures	3,628.03	1,999.53		
Unencumbered Cash, Beginning	<u>22,015.21</u>	<u>25,643.24</u>		
Unencumbered Cash, Ending	<u>\$ 25,643.24</u>	<u>\$ 27,642.77</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, 2016

With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Receipts				
Use of Money and Property				
Interest	\$ 9.16	\$ 21.43	\$ 10.00	\$ 11.43
Lot Sales	200.00	-	200.00	(200.00)
Other				
Reimbursed expenses - General	17,260.00	15,000.00	20,000.00	(5,000.00)
Reimbursed expenses - Pollman	456.60	558.29	1,250.00	(691.71)
Miscellaneous	18.64	544.61	-	544.61
Total Receipts	<u>17,944.40</u>	<u>16,124.33</u>	<u>\$ 21,460.00</u>	<u>\$ (5,335.67)</u>
Expenditures				
General				
Personal services	10,722.61	9,412.69	\$ 13,000.00	\$ (3,587.31)
Contractual services	2,803.69	2,674.24	3,400.00	(725.76)
Commodities	2,541.93	1,256.21	3,000.00	(1,743.79)
Total Expenditures	<u>16,068.23</u>	<u>13,343.14</u>	<u>\$ 19,400.00</u>	<u>\$ (6,056.86)</u>
Receipts Over (Under) Expenditures	1,876.17	2,781.19		
Unencumbered Cash, Beginning	<u>1,063.13</u>	<u>2,939.30</u>		
Unencumbered Cash, Ending	<u>\$ 2,939.30</u>	<u>\$ 5,720.49</u>		

**CITY OF LA CYGNE, KANSAS
EMPLOYEE BENEFIT FUND**

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2016

With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Receipts				
Taxes				
Ad Valorem property tax	\$ 232,061.66	\$ -	\$ -	\$ -
Delinquent tax	16,536.00	-	35,000.00	(35,000.00)
Motor vehicle tax	26,277.73	-	28,357.00	(28,357.00)
Use of Money and Property				
Interest	529.41	-	-	-
Use of Money and Property Proceeds from Bonds	2,622.21	-	-	-
Total Receipts	278,027.01	-	\$ 63,357.00	\$ (63,357.00)
Expenditures				
Employee Benefits				
Contractual services				
Retirement	35,848.35	-	\$ -	\$ -
Social Security	32,408.39	-	-	-
Unemployment	6,666.68	-	-	-
Worker's Compensation	10,932.00	-	-	-
Health Insurance	82,611.73	-	-	-
Insurance Reserve	-	-	-	-
Miscellaneous	1,055.85	-	-	-
Operating Transfer to Other Funds General Fund	126,738.00	95,616.11	152,026.00	(56,409.89)
Total Expenditures	296,261.00	95,616.11	\$ 152,026.00	\$ (56,409.89)
Receipts Over (Under) Expenditures	(18,233.99)	(95,616.11)		
Unencumbered Cash, Beginning	113,850.10	95,616.11		
Unencumbered Cash, Ending	\$ 95,616.11	\$ -		

CITY OF LA CYGNE, KANSAS
SPECIAL POOL RESERVE FUND
Schedule of Receipts and Expenditures - Actual, Regulatory Basis
For the Year Ended December 31, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest	\$ 153.55	\$ 186.84
Total Receipts	153.55	186.84
Expenditures		
Cultural and Recreation - Pool		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	153.55	186.84
Unencumbered Cash, Beginning	28,234.03	28,387.58
Unencumbered Cash, Ending	\$ 28,387.58	\$ 28,574.42

CITY OF LA CYGNE, KANSAS
EQUIPMENT RESERVE FUND

Schedule of Receipts and Expenditures - Actual, Regulatory Basis
For the Year Ended December 31, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Operating Transfers from Other Funds		
General	\$ 40,500.00	\$ 14,500.00
Total Receipts	<u>40,500.00</u>	<u>14,500.00</u>
Expenditures		
Commodities	-	-
Capital Outlays	-	17,601.00
Total Expenditures	<u>-</u>	<u>17,601.00</u>
Receipts Over (Under) Expenditures	40,500.00	(3,101.00)
Unencumbered Cash, Beginning	<u>132,049.45</u>	<u>172,549.45</u>
Unencumbered Cash, Ending	<u>\$ 172,549.45</u>	<u>\$ 169,448.45</u>

CITY OF LA CYGNE, KANSAS
CAPITAL IMPROVEMENT FUND
 Schedule of Receipts and Expenditures - Actual, Regulatory Basis
 For the Year Ended December 31, 2016
 With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfers from Other Funds		
General	\$ 30,500.00	\$ 14,500.00
 Total Receipts	30,500.00	14,500.00
 Expenditures		
Capital Outlays	39,524.55	7,943.00
 Total Expenditures	39,524.55	7,943.00
 Receipts Over (Under) Expenditures	(9,024.55)	6,557.00
 Unencumbered Cash, Beginning	173,965.74	164,941.19
 Unencumbered Cash, Ending	\$ 164,941.19	\$ 171,498.19

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, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Sales Tax	\$ 239,196.81	\$ 144,138.70	\$ 250,000.00	\$ (105,861.30)
Use of Money and Property				
Interest	3,715.30	3,955.39	1,200.00	2,755.39
Total Receipts	<u>242,912.11</u>	<u>148,094.09</u>	<u>\$ 251,200.00</u>	<u>\$ (103,105.91)</u>
Expenditures				
Capital Outlays - Pool	90,000.76	200,146.91	\$ 210,000.00	\$ (9,853.09)
Debt Service on Bond				
Principal	45,000.00	45,000.00	45,000.00	-
Interest	68,675.00	66,200.00	66,200.00	-
Total Expenditures	<u>203,675.76</u>	<u>311,346.91</u>	<u>\$ 321,200.00</u>	<u>\$ (9,853.09)</u>
Receipts Over (Under) Expenditures	39,236.35	(163,252.82)		
Unencumbered Cash, Beginning	<u>516,809.77</u>	<u>556,046.12</u>		
Unencumbered Cash, Ending	<u>\$ 556,046.12</u>	<u>\$ 392,793.30</u>		

CITY OF LA CYGNE, KANSAS
SIDEWALK CAPITAL PROJECT FUND
 Schedule of Receipts and Expenditures - Actual, Regulatory Basis
 For the Year Ended December 31, 2016
 With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
CDBG Grant	\$ -	\$ 341,851.10
Other		
Reimbursed expenses - Cap Imp Fund	35,000.00	-
Total Receipts	35,000.00	341,851.10
Expenditures		
Capital Outlays	29,900.00	346,951.10
Total Expenditures	29,900.00	346,951.10
Receipts Over (Under) Expenditures	5,100.00	(5,100.00)
Unencumbered Cash, Beginning	-	5,100.00
Unencumbered Cash, Ending	\$ 5,100.00	\$ -

CITY OF LA CYGNE, KANSAS
WATER PROJECT PHASE I FUND

Schedule of Receipts and Expenditures - Actual, Regulatory Basis
For the Year Ended December 31, 2016

With Comparative Actual Amounts for the Year Ended December 31, 2015

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Intergovernmental		
CDBG Grant	\$ 3,000.00	\$ 384,514.43
USDA Grant	-	110,275.00
Use of Money and Property		
Proceeds from Bonds	<u>347,000.00</u>	<u>-</u>
Total Receipts	<u>350,000.00</u>	<u>494,789.43</u>
Expenditures		
Capital Outlays	<u>134,301.25</u>	<u>803,924.86</u>
Total Expenditures	<u>134,301.25</u>	<u>803,924.86</u>
Receipts Over (Under) Expenditures	215,698.75	(309,135.43)
Unencumbered Cash, Beginning	<u>-</u>	<u>215,698.75</u>
Unencumbered Cash, Ending	<u>\$ 215,698.75</u>	<u>\$ (93,436.68)</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, 2016

With Comparative Actual Amounts for the Year Ended December 31, 2015

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Use of Money and Property		
Proceeds from Bonds	\$ 2,603,000.00	\$ -
Interest	-	3,024.66
Other		
Miscellaneous	-	-
	<u>2,603,000.00</u>	<u>3,024.66</u>
Total Receipts		
Expenditures		
Capital Outlays	<u>674,688.75</u>	<u>2,843,146.89</u>
Total Expenditures	<u>674,688.75</u>	<u>2,843,146.89</u>
Receipts Over (Under) Expenditures	1,928,311.25	(2,840,122.23)
Unencumbered Cash, Beginning	<u>-</u>	<u>1,928,311.25</u>
Unencumbered Cash, Ending	<u>\$ 1,928,311.25</u>	<u>\$ (911,810.98)</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, 2016

With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Use of Money and Property				
Interest	\$ 58.55	\$ 55.49	\$ 60.00	\$ (4.51)
Other				
Debt Service Charges-Rural Water	42,347.50	41,027.50	41,028.00	(0.50)
Total Receipts	42,406.05	41,082.99	\$ 41,088.00	\$ (5.01)
Expenditures				
Debt Service				
Principal	30,000.00	30,000.00	\$ 30,000.00	\$ -
Interest	12,347.50	11,027.50	11,028.00	(0.50)
Other	5.00	5.00	50.00	(45.00)
Total Expenditures	42,352.50	41,032.50	\$ 41,078.00	\$ (45.50)
Receipts Over (Under) Expenditures	53.55	50.49		
Unencumbered Cash, Beginning	20,308.58	20,362.13		
Unencumbered Cash, Ending	\$ 20,362.13	\$ 20,412.62		

CITY OF LA CYGNE, KANSAS
GAS UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget, Regulatory Basis
For the Year Ended December 31, 2016

With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Operating Income				
Gas sales	\$ 557,115.09	\$ 602,723.07	\$ 600,000.00	\$ 2,723.07
Penalties	5,475.97	10,998.34	8,000.00	2,998.34
Miscellaneous	5,129.58	1,551.22	7,500.00	(5,948.78)
Use of Money and Property				
Interest	1,934.78	2,665.08	1,550.00	1,115.08
Proceeds from Refunding Bonds	825,000.00	-	-	-
Other				
Customer deposits	9,176.00	11,144.01	7,500.00	3,644.01
Sales tax	9,900.06	7,955.70	12,000.00	(4,044.30)
Total Receipts	<u>1,413,731.48</u>	<u>637,037.42</u>	<u>\$ 636,550.00</u>	<u>\$ 487.42</u>
Expenditures				
Acquisition and Distribution				
Personal services	40,930.14	40,647.43	\$ 57,900.00	\$ (17,252.57)
Contractual services	34,371.43	38,264.63	27,750.00	10,514.63
Commodities	197,873.83	161,991.18	422,100.00	(260,108.82)
Nonoperating Expenses				
Sales tax	12,325.62	7,936.90	17,500.00	(9,563.10)
Customer deposits	6,436.60	7,214.17	7,750.00	(535.83)
Capital Outlays	2,134.30	-	250,000.00	(250,000.00)
Debt Service on Bonds				
Principal	875,000.00	90,000.00	90,000.00	-
Interest	16,028.47	9,962.50	9,963.00	(0.50)
Other	12,270.69	-	-	-
Debt Service on Capital Leases	2,185.33	-	-	-
Total Expenditures	<u>1,199,556.41</u>	<u>356,016.81</u>	<u>882,963.00</u>	<u>(526,946.19)</u>
Qualifying Budget Credits				
Bonds issued to refinance old bonds	-	-	-	-
Total Expenditures	<u>1,199,556.41</u>	<u>356,016.81</u>	<u>\$ 882,963.00</u>	<u>\$ (526,946.19)</u>
Receipts Over (Under) Expenditures	214,175.07	281,020.61		
Unencumbered Cash, Beginning	<u>331,493.05</u>	<u>545,668.12</u>		
Unencumbered Cash, Ending	<u>\$ 545,668.12</u>	<u>\$ 826,688.73</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, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Operating Income				
Water sales	\$ 356,278.71	\$ 404,527.96	\$ 397,500.00	\$ 7,027.96
Penalties	6,735.80	8,101.97	4,650.00	3,451.97
Miscellaneous	16,444.74	15,476.59	1,000.00	14,476.59
Use of Money and Property				
Interest	3,936.22	2,733.35	850.00	1,883.35
Other				
Customer deposits	5,175.00	8,475.00	4,000.00	4,475.00
Sales and protection taxes	5,815.05	5,038.24	4,150.00	888.24
Total Receipts	394,385.52	444,353.11	\$ 412,150.00	\$ 32,203.11
Expenditures				
Water Production				
Personal services	61,011.67	58,111.13	\$ 68,500.00	\$ (10,388.87)
Contractual services	42,816.00	58,237.11	84,450.00	(26,212.89)
Commodities	46,007.20	41,922.02	73,800.00	(31,877.98)
Water Distribution				
Personal services	44,271.33	53,247.45	54,500.00	(1,252.55)
Contractual services	39,315.29	27,872.65	36,500.00	(8,627.35)
Commodities	15,030.52	9,586.99	25,050.00	(15,463.01)
Nonoperating Expenses				
Deposit	3,473.94	6,881.55	4,200.00	2,681.55
Sales and protection taxes	7,257.69	5,650.99	5,500.00	150.99
Debt Service				
Principal	30,000.00	41,392.97	88,607.00	(47,214.03)
Interest	12,347.50	81,125.00	41,393.00	39,732.00
Capital Outlays				
Water Production	-	-	160,000.00	(160,000.00)
Water Distribution	2,134.30	-	282,108.00	(282,108.00)
Debt Service on Capital Leases				
Lease payment	2,185.35	-	-	-
Total Expenditures	263,503.29	384,027.86	\$ 924,608.00	\$ (540,580.14)
Receipts Over (Under) Expenditures	130,882.23	60,325.25		
Unencumbered Cash, Beginning	535,819.47	666,701.70		
Unencumbered Cash, Ending	<u>\$ 666,701.70</u>	<u>\$ 727,026.95</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, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Operating Income				
Sewer charges	\$ 101,506.96	\$ 111,862.11	\$ 118,422.00	\$ (6,559.89)
Penalties	2,962.84	2,879.46	2,500.00	379.46
Miscellaneous	596.42	33,220.86	30,184.00	3,036.86
Use of Money and Property				
Interest	171.61	166.83	130.00	36.83
Total Receipts	<u>105,237.83</u>	<u>148,129.26</u>	<u>\$ 151,236.00</u>	<u>\$ (3,106.74)</u>
Expenditures				
Collection and Disposal				
Personal services	24,420.01	21,990.97	\$ 32,000.00	\$ (10,009.03)
Contractual services	19,630.00	23,174.37	25,700.00	(2,525.63)
Commodities	15,251.02	7,114.60	19,800.00	(12,685.40)
Capital Outlays	-	29,684.00	39,684.00	(10,000.00)
Debt Service on Capital Leases				
Lease payment	2,185.33	-	-	-
Debt Service on Revolving Loan				
Principal	30,321.75	31,416.97	31,417.00	(0.03)
Interest	8,204.45	7,109.23	7,109.00	0.23
Other	-	-	-	-
Total Expenditures	<u>100,012.56</u>	<u>120,490.14</u>	<u>\$ 155,710.00</u>	<u>\$ (35,219.86)</u>
Receipts Over (Under) Expenditures	5,225.27	27,639.12		
Unencumbered Cash, Beginning	<u>28,363.53</u>	<u>33,588.80</u>		
Unencumbered Cash, Ending	<u>\$ 33,588.80</u>	<u>\$ 61,227.92</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, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Operating Income				
Customer service	\$ 9,710.33	\$ 12,240.46	\$ 9,500.00	\$ 2,740.46
Use of Money and Property				
Interest	11.61	9.36	15.00	(5.64)
Other				
Miscellaneous	519.00	67.50	650.00	(582.50)
Total Receipts	10,240.94	12,317.32	\$ 10,165.00	\$ 2,152.32
Expenditures				
Collection and Disposal				
Contractual services	12,212.80	14,878.93	\$ 14,660.00	\$ 218.93
Total Expenditures	12,212.80	14,878.93	\$ 14,660.00	\$ 218.93
Receipts Over (Under) Expenditures	(1,971.86)	(2,561.61)		
Unencumbered Cash, Beginning	8,571.81	6,599.95		
Unencumbered Cash, Ending	<u>\$ 6,599.95</u>	<u>\$ 4,038.34</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, 2016

With Comparative Actual Amounts for the Year Ended December 31, 2015

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Receipts				
Use of Money and Property				
Lot sales	\$ 1,600.00	\$ 2,000.00	\$ 1,000.00	\$ 1,000.00
Interest	478.44	560.23	700.00	(139.77)
Total Receipts	<u>2,078.44</u>	<u>2,560.23</u>	<u>\$ 1,700.00</u>	<u>\$ 860.23</u>
Expenditures				
Cemeteries				
Contractual services	456.60	558.29	\$ 1,250.00	\$ (691.71)
Total Expenditures	<u>456.60</u>	<u>558.29</u>	<u>\$ 1,250.00</u>	<u>\$ (691.71)</u>
Receipts Over (Under) Expenditures	1,621.84	2,001.94		
Unencumbered Cash, Beginning	<u>49,476.70</u>	<u>51,098.54</u>		
Unencumbered Cash, Ending	<u>\$ 51,098.54</u>	<u>\$ 53,100.48</u>		

CITY OF LA CYGNE, KANSAS
ENERGY ASSISTANCE FUND

Schedule of Receipts and Expenditures - Actual, Regulatory Basis
For the Year Ended December 31, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Reimbursements from the State of Kansas	<u>\$ 6,467.01</u>	<u>\$ 6,312.64</u>
Total Receipts	<u>6,467.01</u>	<u>6,312.64</u>
Expenditures		
Health and Welfare Contractual services	<u>6,467.01</u>	<u>6,312.64</u>
Total Expenditures	<u>6,467.01</u>	<u>6,312.64</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WCITY OF LA CYGNE, KANSAS
For the Year Ended December 31, 2016

FEDERAL COMPLIANCE SECTION

CITY OF LACYGNE, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT RECEIVED	AMOUNT EXPENDED
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the State of Kansas Department of Commerce			
Grant # 15-PF-057		\$ 341,851.10	\$ 341,851.10
Grant # 15-PF-009 (2)		384,514.43	379,514.43
Small Cities Community Development Block Grants	14.228	<u>726,365.53</u>	<u>721,365.53</u>
<u>United States Department of Agriculture-Rural Development</u>			
Direct Programs			
Water and Waste Disposal Systems for Rural Communities (3)			
Loan-Phase I		-	215,697.67
Grant - Phase I		110,275.00	110,275.00
Loan-Phase II		-	607,221.95
Grant - Phase II		-	-
Total	10.760	<u>110,275.00</u>	<u>933,194.62</u>
TOTALS		<u>\$ 836,640.53</u>	<u>\$ 1,654,560.15</u>

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

- (1) Receipts consist of money actually received during the year ended December 31, 2016 except for the Water and Waste Disposal Systems Program. For this program, a general obligation bonds totalling \$347,000 for Phase I and \$2,603,000 for Phase II were issued in 2015 and used for the grant.
- (2) This CDBG grant was used a part of the local match for the USDA RD Water Project, Phase I.
- (3) Expenditures are recorded on the modified accrual basis of accounting, which records expenses when the goods or services are recieved, 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:

	<u>Phase I</u>	<u>Phase II</u>
Expenses reported above:		
Grant # 15-PF-009	\$ 379,514.43	\$ -
Loan	215,697.67	607,221.95
Grant	110,275.00	-
Total Expenses - SEFA	<u>705,487.10</u>	<u>607,221.95</u>
Add current year encumbrances	98,437.76	2,235,924.94
Total Expenses per Finanancial Statement	<u>\$ 803,924.86</u>	<u>\$ 2,843,146.89</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

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, 2016. 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, 2016.

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

May 17, 2017
Fort Scott, Kansas

Diehl Banwart Bolton

Certified Public Accountants PA

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, 2016, 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 May 17, 2017.

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 (2016-001).

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 2016-001. We noted certain other matters that we reported to Management of the City in a separate letter dated May 17, 2017.

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. 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.

The City's Response to Findings

The City's response to the findings identified in our audit is described in the Corrective Action Plan. We did not audit the City's response 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.

Diehl, Banwart, Bolton CPAs PA

DIEHL, BANWART, BOLTON, CPAs PA

May 17, 2017
Fort Scott, Kansas

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

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

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 None reported
- 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>
10.770	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

2016-001 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.

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 La Cygne, Kansas (the City)

December 31, 2016 Financial Statement

Corrective Action Plan

Audit Finding 2016-001

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.