

CITY OF SEVERY, KANSAS

Independent Auditors' Report and
Financial Statement with
Supplementary Information

For the Year Ended December 31, 2016

CITY OF SEVERY, KANSAS

December 31, 2016

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Severy, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Severy, 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 Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Severy on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Severy as of December 31, 2016, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Severy 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.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statement. 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.

The 2015 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and was not a required part of the 2015 basic financial statement upon which we rendered an unmodified opinion on the regulatory basis of accounting dated July 28, 2016. The 2015 basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2017, on our consideration of the City of Severy's 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 Severy's internal control over financial reporting and compliance.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

July 31, 2017
Chanute, Kansas

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

Funds	Beginning Unencumbered Cash Balances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Add Encumbrances and Accounts Payable	Cash Balance December 31, 2016
General	\$ 10,446.37	\$ 88,567.21	\$ 90,886.94	\$ 8,126.64	\$ 3,640.94	\$ 11,767.58
Special Purpose Funds:						
Cemetery	2,647.99	9,843.54	11,954.83	536.70	54.68	591.38
Cemetery Upkeep Reserve	4,416.78	5.28	-	4,422.06	-	4,422.06
Employee Benefits	5,906.45	11,179.14	6,769.89	10,315.70	85.90	10,401.60
Fire Reserve	100.10	212.35	117.75	194.70	-	194.70
Parks	19.81	2,262.46	2,217.31	64.96	-	64.96
Municipal Equipment Reserve	194.92	-	-	194.92	-	194.92
Special Highway	1,331.19	6,358.61	4,690.63	2,999.17	-	2,999.17
Street 1% Sales Tax	-	32,820.05	3,622.75	29,197.30	-	29,197.30
Capital Projects:						
Water Bond Project	123,621.01	2,356,851.55	2,337,152.70	143,319.86	203,162.10	346,481.96
Business Funds:						
Water Utility	31,383.85	140,221.55	165,018.60	6,586.80	3,935.36	10,522.16
Sewer Utility	32,990.04	24,889.96	51,108.88	6,771.12	243.91	7,015.03
Solid Waste	(621.04)	27,448.20	23,779.54	3,047.62	-	3,047.62
Trust Funds:						
Fireman's Relief	367.05	138.47	50.00	455.52	-	455.52
Total Reporting Entity	\$ 212,804.52	\$ 2,700,798.37	\$ 2,697,369.82	\$ 216,233.07	\$ 211,122.89	\$ 427,355.96

Composition of Cash:

Cash on Hand	\$ 95.50
Checking Accounts:	
General Operating Checking	28,321.40
Water Works Checking.....	36,911.57
Cemetery Checking.....	1,656.33
Water Bond Checking.....	346,490.38
Investments:	
Certificates of Deposit	13,880.78
Total Cash	<u>\$ 427,355.96</u>

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

CITY OF SEVERY, KANSAS

Notes to Financial Statement
December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of Severy, Kansas have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies follow. Note 1 describes how the City's accounting policies differ from generally accepted accounting principles.

Financial Reporting Entity

The City of Severy, Kansas, is a municipal corporation governed by an elected mayor and five-member council. This financial statement presents the City of Severy.

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

The City has determined that no outside agency meets the above criteria and, therefore, no outside agency has been include as a related municipal entity in this financial statement.

Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the City of Severy, Kansas, for the year of 2016:

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than revenues. In the financial statement and budget comparison schedules presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the city treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

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 of 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. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

Pension Plan

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for 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 schedules 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 regulatory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, trust funds, and the following special purpose funds:

- Cemetery Upkeep Reserve Fund
- Fire Reserve Fund
- Municipal Equipment Reserve Fund

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1, the City was in apparent compliance with cash basis laws of Kansas. As shown in Schedule 1, the City was in apparent violation of K.S.A. 79-2934, as the City has obligated expenditures in excess of budget authority in the General Fund and the Cemetery Fund.

The City was in apparent violation of K.S.A. 12-1608 which requires the treasurer of third class cities to publish the annual statement showing the total amount received into each fund and the total amount expended from each fund and the cash balances of each fund at the beginning and close of each year. Such annual statement shall show the amount of outstanding registered warrants, temporary notes, bonds and all other obligations and liabilities of the city. The annual statement shall be published within 30 days after December 31 of each year in the official city newspaper. The annual statement was not published within the 30 day requirement.

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 branch or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2016.

At year-end, the City's carrying amount of deposits was \$427,260.46 and the bank balance was \$428,311.98. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$263,880.78 was covered by FDIC insurance and \$164,431.20 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

4. CAPITAL LEASE OBLIGATIONS

The City has entered into a capital lease agreement in order to finance the acquisition of a CAT Tractor Backhoe. Payments are made of \$8,015.54 annually, including interest at 3.55%. Final maturity for the lease is in 2018. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2017	\$ 8,015.54
2018	<u>16,198.07</u>
	24,213.61
Less imputed interest	<u>(1,387.76)</u>
Net Present Value of Minimum	
Lease Payments	22,825.85
Less: Current Maturities	<u>(7,191.91)</u>
Long-Term Capital Lease Obligations	<u>\$ 15,633.94</u>

5. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2016, were as follows:

Issue	Interest Rates	Date of Issue	Original Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Temporary Notes:									
Series 2015	2.00%	September 29, 2015	\$ 275,000.00	September 29, 2017	\$ 275,000.00	\$ -	\$ (275,000.00)	\$ -	\$ 6,768.06
Series 2016	2.00%	March 24, 2016	520,000.00	September 29, 2017	-	520,000.00	(520,000.00)	-	7,742.22
General Obligation Bonds:									
Paid for with Utility Receipts									
Series 2016-A	1.875%	December 21, 2016	795,000.00	December 21, 2056	-	795,000.00	-	795,000.00	-
Series 2016-B	1.875%	December 21, 2016	310,000.00	December 21, 2056	-	310,000.00	-	310,000.00	-
Revolving Loans:									
Water Supply Loan - KPWSL - 2156	4.30%	December 22, 1999	143,624.00	August 1, 2020	49,760.22	-	(49,760.22)	-	1,590.53
Pollution Control Loan - KWPCRL - 1724-01	2.72%	November 26, 2007	153,840.00	September 1, 2029	109,981.36	-	(6,843.22)	103,138.14	2,945.28
Capital Leases:									
CAT Tractor Backhoe	3.55%	March 15, 2012	87,626.00	March 15, 2018	29,767.29	-	(6,941.44)	22,825.85	1,074.10
Total Contractual Indebtedness					<u>\$ 464,508.87</u>	<u>\$ 1,625,000.00</u>	<u>\$ (858,544.88)</u>	<u>\$ 1,230,963.99</u>	<u>\$ 20,120.19</u>

5. LONG-TERM DEBT (Continued)

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

Issue	2017	2018	2019	2020	2021	2022-2026	2027-2031	2032-2036	2037-2041	2042-2046
Principal										
General Obligation Bonds										
Paid by Utility Receipts										
Series 2016-A	\$ 13,528.19	\$ 13,781.84	\$ 14,040.25	\$ 14,264.79	\$ 14,570.97	\$ 77,019.82	\$ 84,519.06	\$ 92,723.46	\$ 101,783.27	\$ 111,694.19
Series 2016-B	5,275.14	5,374.05	5,474.81	5,562.37	5,681.76	30,032.86	32,957.09	36,156.30	39,689.05	43,553.68
Revolving Loans										
Pollution Control Loan	7,030.62	7,223.16	7,420.96	7,624.19	7,832.98	42,502.40	23,503.83	-	-	-
Capital Leases										
CAT Tractor Backhoe	7,191.91	15,633.94	-	-	-	-	-	-	-	-
Total Principal Payments	33,025.86	42,012.99	26,936.02	27,451.35	28,085.71	149,555.08	140,979.98	128,879.76	141,472.32	155,247.87
Interest										
General Obligation Bonds										
Paid by Utility Receipts										
Series 2016-A	14,906.25	14,652.60	14,394.19	14,169.65	13,863.47	65,152.38	57,653.14	49,448.74	40,388.93	29,478.01
Series 2016-B	5,812.50	5,713.59	5,612.83	5,525.27	5,405.88	25,405.34	22,481.11	19,281.90	15,749.15	11,884.52
Revolving Loans										
Pollution Control Loan	2,757.88	2,565.34	2,367.54	2,164.31	1,955.52	6,440.10	967.42	-	-	-
Capital Leases										
CAT Tractor Backhoe	823.63	564.13	-	-	-	-	-	-	-	-
Total Interest Payments	24,300.26	23,495.66	22,374.56	21,859.23	21,224.87	96,997.82	81,101.67	68,730.64	56,138.08	41,362.53
Total Principal and Interest	\$ 57,326.12	\$ 65,508.65	\$ 49,310.58	\$ 49,310.58	\$ 49,310.58	\$ 246,552.90	\$ 222,081.65	\$ 197,610.40	\$ 197,610.40	\$ 196,610.40
Issue	2047-2051	2052-2056	Total							
Principal										
General Obligation Bonds										
Paid by Utility Receipts										
Series 2016-A	\$ 122,570.30	\$ 134,503.86	\$ 795,000.00							
Series 2016-B	47,794.68	52,448.21	310,000.00							
Revolving Loans										
Pollution Control Loan	-	-	103,138.14							
Capital Leases										
CAT Tractor Backhoe	-	-	22,825.85							
Total Principal Payments	170,364.98	186,952.07	1,230,963.99							
Interest										
General Obligation Bonds										
Paid by Utility Receipts										
Series 2016-A	19,601.90	7,668.07	341,377.33							
Series 2016-B	7,643.52	2,990.08	133,505.69							
Revolving Loans										
Pollution Control Loan	-	-	19,218.11							
Capital Leases										
CAT Tractor Backhoe	-	-	1,387.76							
Total Interest Payments	27,245.42	10,658.15	495,488.89							
Total Principal and Interest	\$ 197,610.40	\$ 197,610.22	\$ 1,726,452.88							

6. 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 0.85% contribution rate for Death and Disability Program, which increased to 1.00% as of July 1, 2015) and the statutory contribution rate was 9.48% for the fiscal year ended December 31, 2016. Contributions to the pension plan from the City were \$7,686.53 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 \$61,510.00. The net pension liability was measured as of June 30, 2016, and 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 non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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

7. CAPITAL PROJECTS

The following is a summary of capital project authorizations and expenditures to date:

<u>PROJECT NAME</u>	<u>AUTHORIZED</u>	<u>EXPENDED THRU 12/31/16</u>	<u>ESTIMATED COMPLETION</u>
Water Line Replacement Project	\$ 2,853,250.59	\$ 1,693,564.61	2017

8. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences:

Regular employees earn and accumulate vacation leave as follows:

After One Full Year of Employment – 10 days

Vacation days must be used during the service year earned.

Regular employees earn sick leave after one full year of service at the rate of ten days per year. Any unused sick leave at date of termination is lost.

The City accrues 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 estimated a liability for annual leave which has been earned, but not taken, by City at December 31, 2016 to be \$227.63. The City has not estimated a liability for sick leave earned, but not taken, by City employees, as the amounts cannot be reasonably estimated.

9. RISK MANAGEMENT

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

10. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water Utility	General	K.S.A. 12-825d	\$ 5,000.00
Water Utility	Parks	K.S.A. 12-825d	1,000.00
Sewer Utility	General	K.S.A. 12-825d	7,163.13
Sewer Utility	Street 1% Sales Tax	K.S.A. 12-825d	10,000.00

11. OTHER COMMITMENTS AND CONCENTRATIONS

In November 2011, the City entered into a ten year agreement with Utility Service Company for water tower renovation and repair and ongoing maintenance. During the year ended December 31, 2016 the City paid \$17,204.75.

12. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent to year end, and there were no subsequent events requiring recognition in the financial statement. Additionally, there were no non-recognized subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF SEVERY, KANSAS

Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)

Regulatory Basis

For the Year Ended December 31, 2016

Funds	Total Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures		Variance - Over (Under)
				Charged to Current Year Budget		
General	\$ 87,714.00	\$ 1,621.28	\$ 89,335.28	\$ 90,886.94	\$	3,172.94
Special Purpose Funds:						
Cemetery	10,452.00	-	10,452.00	11,954.83		1,502.83
Employee Benefits	23,650.00	-	23,650.00	6,769.89		(16,880.11)
Parks	2,750.00	-	2,750.00	2,217.31		(532.69)
Special Highway	68,586.00	-	68,586.00	4,690.63		(63,895.37)
Street 1% Sales Tax	22,158.00	-	22,158.00	3,622.75		(18,535.25)
Business Funds:						
Water Utility	192,519.00	-	192,519.00	165,018.60		(27,500.40)
Sewer Utility	55,433.00	-	55,433.00	51,108.88		(4,324.12)
Refuse Utility	24,121.00	-	24,121.00	23,779.54		(341.46)

CITY OF SEVERY, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	\$ 46,311.32	\$ 50,397.33	\$ 56,000.00	\$ (5,602.67)
Delinquent Tax	4,901.85	2,661.45	5,091.00	(2,429.55)
Motor Vehicle Tax	11,150.81	11,079.65	10,393.00	686.65
Recreational Vehicle Tax	184.50	187.29	200.00	(12.71)
16/20M Truck Tax	31.54	28.73	24.00	4.73
Franchise Taxes	9,893.98	10,362.33	9,000.00	1,362.33
Use of Money and Property				
Interest	53.92	29.89	50.00	(20.11)
Other Receipts				
Donations	284.70	10.41	-	10.41
Miscellaneous	530.53	25.72	-	25.72
Reimbursed Expense	4,694.59	1,621.28	-	1,621.28
Operating Transfer from:				
Water Utility Fund	13,868.70	5,000.00	-	5,000.00
Sewer Utility Fund	2,256.81	7,163.13	6,000.00	1,163.13
Total Receipts	94,163.25	88,567.21	\$ 86,758.00	\$ 1,809.21
Expenditures				
General Government				
Personal Services	29,439.24	36,476.24	\$ 21,147.00	\$ 15,329.24
Contractual Services	41,048.55	46,727.55	30,000.00	16,727.55
Commodities	12,586.54	7,683.15	13,000.00	(5,316.85)
Capital Outlay	-	-	3,551.00	(3,551.00)
Streets				
Contractual Services	4,229.16	-	9,000.00	(9,000.00)
Debt Service				
Capital Lease	8,015.54	-	8,016.00	(8,016.00)
Operating Transfers to				
Fire Reserve Fund	500.00	-	3,000.00	(3,000.00)
Total Certified Budget			87,714.00	3,172.94
Adjustments for Qualifying				
Budget Credits			1,621.28	(1,621.28)
Total Expenditures	95,819.03	90,886.94	\$ 89,335.28	\$ 1,551.66
Receipts Over(Under) Expenditures	(1,655.78)	(2,319.73)		
Unencumbered Cash, Beginning	12,102.15	10,446.37		
Unencumbered Cash, Ending	\$ 10,446.37	\$ 8,126.64		

CITY OF SEVERY, KANSAS
CEMETERY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	\$ 5,590.48	\$ 5,593.52	\$ 6,214.00	\$ (620.48)
Delinquent Tax	475.23	273.32	565.00	(291.68)
Motor Vehicle Tax	1,107.16	1,282.31	1,254.00	28.31
Recreational Vehicle Tax	19.79	21.67	24.00	(2.33)
16/20M Truck Tax	3.63	2.72	3.00	(0.28)
Use of Money and Property				
Sale of Lots	900.00	450.00	450.00	-
Charges for Services				
Burial Fees	1,600.00	2,200.00	900.00	1,300.00
Other Receipts				
Miscellaneous	-	20.00	-	20.00
Total Receipts	9,696.29	9,843.54	\$ 9,410.00	\$ 433.54
Expenditures				
General Government				
Personal Services	3,058.85	4,062.65	\$ 3,103.00	\$ 959.65
Contractual Services	5,400.00	7,800.00	6,000.00	1,800.00
Commodities	-	92.18	1,349.00	(1,256.82)
Total Expenditures	8,458.85	11,954.83	\$ 10,452.00	\$ 1,502.83
Receipts Over(Under) Expenditures	1,237.44	(2,111.29)		
Unencumbered Cash, Beginning	1,410.55	2,647.99		
Unencumbered Cash, Ending	<u>\$ 2,647.99</u>	<u>\$ 536.70</u>		

CITY OF SEVERY, KANSAS
CEMETERY UPKEEP RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Year Ended December 31, 2015)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Use of Money and Property		
Interest	5.26	\$ 5.28
Total Receipts	<u>5.26</u>	<u>5.28</u>
Expenditures		
Capital Improvements		
Capital Outlay	-	-
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over(Under) Expenditures	5.26	5.28
Unencumbered Cash, Beginning	<u>4,411.52</u>	<u>4,416.78</u>
Unencumbered Cash, Ending	<u>\$ 4,416.78</u>	<u>\$ 4,422.06</u>

CITY OF SEVERY, KANSAS
EMPLOYEE BENEFITS FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipts				
Ad Valorem Tax	\$ 10,540.62	\$ 7,819.60	\$ 8,681.00	\$ (861.40)
Delinquent Tax	1,155.48	611.88	789.00	(177.12)
Motor Vehicle Tax	2,881.04	2,639.45	2,365.00	274.45
Recreational Vehicle Tax	39.85	44.66	45.00	(0.34)
16/20M Truck Tax	5.53	8.14	6.00	2.14
Other Receipts				
Donations	18.47	55.41	-	55.41
Total Receipts	14,640.99	11,179.14	\$ 11,886.00	\$ (706.86)
Expenditures				
General Government				
Personal Services	10,814.94	6,769.89	\$ 23,650.00	\$ (16,880.11)
Operating Transfer to Health Care Trust Fund	4,166.55	-	-	-
Total Expenditures	14,981.49	6,769.89	\$ 23,650.00	\$ (16,880.11)
Receipts Over(Under) Expenditures	(340.50)	4,409.25		
Unencumbered Cash, Beginning	6,246.95	5,906.45		
Unencumbered Cash, Ending	\$ 5,906.45	\$ 10,315.70		

CITY OF SEVERY, KANSAS
FIRE RESERVE FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Year Ended December 31, 2015)

	Prior Year Actual	Current Year Actual
Receipts		
Other Receipts		
Miscellaneous	\$ 120.00	\$ 212.35
Operating Transfer from General Fund	500.00	-
Total Receipts	<u>620.00</u>	<u>212.35</u>
Expenditures		
General Government		
Contractual Services	-	101.50
Commodities	-	16.25
Capital Outlay	918.96	-
Total Expenditures	<u>918.96</u>	<u>117.75</u>
Receipts Over(Under) Expenditures	(298.96)	94.60
Unencumbered Cash, Beginning	<u>399.06</u>	<u>100.10</u>
Unencumbered Cash, Ending	<u><u>\$ 100.10</u></u>	<u><u>\$ 194.70</u></u>

CITY OF SEVERY, KANSAS
PARKS FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipts				
State Grant	\$ 1,030.00	\$ -	\$ 980.00	\$ (980.00)
Other Receipts				
Miscellaneous	-	1,262.46	50.00	1,212.46
Operating Transfer from Water Fund	-	1,000.00	-	1,000.00
Total Receipts	1,030.00	2,262.46	\$ 1,030.00	\$ 1,232.46
Expenditures				
Culture and Recreation				
Personal Services	-	-	\$ 400.00	\$ (400.00)
Contractual Services	-	651.26	1,000.00	(348.74)
Commodities	701.81	1,566.05	500.00	1,066.05
Capital Outlay	1,328.82	-	850.00	(850.00)
Total Expenditures	2,030.63	2,217.31	\$ 2,750.00	\$ (532.69)
Receipts Over(Under) Expenditures	(1,000.63)	45.15		
Unencumbered Cash, Beginning	1,020.44	19.81		
Unencumbered Cash, Ending	\$ 19.81	\$ 64.96		

CITY OF SEVERY, KANSAS
MUNICIPAL EQUIPMENT RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2016
(With Comparative Actual Totals for the Year Ended December 31, 2015)

	<u>Prior</u> <u>Year</u> <u>Actual</u>	<u>Current</u> <u>Year</u> <u>Actual</u>
Receipts		
Operating Transfers from General Fund	\$ -	\$ -
Total Receipts	<u>-</u>	<u>-</u>
Expenditures		
General Government Capital Outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>194.92</u>	<u>194.92</u>
Unencumbered Cash, Ending	<u><u>\$ 194.92</u></u>	<u><u>\$ 194.92</u></u>

CITY OF SEVERY, KANSAS
SPECIAL HIGHWAY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipts				
Highway Gas Tax	\$ 6,420.35	\$ 6,340.14	\$ 6,440.00	\$ (99.86)
County Gas Tax	2,811.50	-	-	-
Sales Tax	26,276.16	-	25,348.00	(25,348.00)
Other Receipts				
Donations	18.47	18.47	-	18.47
Total Receipts	35,526.48	6,358.61	\$ 31,788.00	\$ (25,429.39)
Expenditures				
General Government				
Personal Services	24,726.21	445.53	\$ 8,926.00	\$ (8,480.47)
Contractual Services	4,300.47	1,409.20	2,000.00	(590.80)
Commodities	21,924.42	2,835.90	3,000.00	(164.10)
Capital Outlay	-	-	54,660.00	(54,660.00)
Total Expenditures	50,951.10	4,690.63	\$ 68,586.00	\$ (63,895.37)
Receipts Over(Under) Expenditures	(15,424.62)	1,667.98		
Unencumbered Cash, Beginning	16,755.81	1,331.19		
Unencumbered Cash, Ending	\$ 1,331.19	\$ 2,999.17		

CITY OF SEVERY, KANSAS
STREET 1% SALES TAX FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipts				
Sales Tax	\$ -	\$ 22,820.05	\$ 22,158.00	\$ 662.05
Operating Transfer from Sewer Fund	-	10,000.00	-	10,000.00
Total Receipts	-	32,820.05	\$ 22,158.00	\$ 10,662.05
Expenditures				
General Government				
Personal Services	-	3,124.21	\$ 2,550.00	\$ 574.21
Contractual Services	-	248.54	-	248.54
Commodities	-	250.00	-	250.00
Capital Outlay	-	-	19,608.00	(19,608.00)
Total Expenditures	-	3,622.75	\$ 22,158.00	\$ (18,535.25)
Receipts Over(Under) Expenditures	-	29,197.30		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ 29,197.30		

CITY OF SEVERY, KANSAS
WATER BOND PROJECT FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Year Ended December 31, 2015)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grants	\$ -	\$ 731,751.99
Use of Money and Property		
Bond Proceeds	275,000.00	1,625,000.00
Interest	25.92	99.56
Other Receipts		
Reimbursed Expense	7.00	-
	275,032.92	2,356,851.55
Total Receipts		
Expenditures		
General Government		
Contractual Services	205.10	76.85
Commodities	161.43	-
Capital Outlay	151,045.38	1,527,565.57
Debt Service		
Principal - Revolving Loan	-	795,000.00
Interest - Revolving Loan	-	14,510.28
	151,411.91	2,337,152.70
Total Expenditures		
Receipts Over(Under) Expenditures	123,621.01	19,698.85
Unencumbered Cash, Beginning	-	123,621.01
Unencumbered Cash, Ending	\$ 123,621.01	\$ 143,319.86

CITY OF SEVERY, KANSAS
WATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
Federal Grants	\$ -	\$ 3,000.25	\$ -	\$ 3,000.25
Charges for Services				
Water Receipts	76,755.67	69,317.75	125,812.00	(56,494.25)
Tower Maintenance Fee	11,769.32	13,061.90	11,238.00	1,823.90
Water KDHE Collections	42,938.90	53,167.23	-	53,167.23
Penalties	747.33	-	812.00	(812.00)
Bulk Water Sales	779.50	1,434.00	342.00	1,092.00
Reconnection Fees	445.00	20.00	25.00	(5.00)
Use of Money and Property				
Interest Income	27.26	25.74	21.00	4.74
Other Receipts				
Donations	18.47	-	-	-
Miscellaneous	870.23	194.68	-	194.68
Total Receipts	134,351.68	140,221.55	\$ 138,250.00	\$ 1,971.55
Expenditures				
Distribution				
Personal Services	17,633.65	39,590.51	\$ 22,508.00	\$ 17,082.51
Contractual Services	24,608.72	15,606.14	16,236.00	(629.86)
Commodities	23,388.35	27,891.77	23,000.00	4,891.77
Capital Outlay	10,192.11	2,900.00	65,039.00	(62,139.00)
Water Tower Maintenance	6,881.90	13,763.80	13,764.00	(0.20)
Debt Service				
Principal - Revolving Loan	8,496.90	49,660.31	49,760.00	(99.69)
Interest - Revolving Loan	2,611.32	1,590.53	2,212.00	(621.47)
Capital Lease	-	8,015.54	-	8,015.54
Operating Transfers to:				
Park Fund	-	1,000.00	-	1,000.00
General Fund	13,868.70	5,000.00	-	5,000.00
Total Expenditures	107,681.65	165,018.60	\$ 192,519.00	\$ (27,500.40)
Receipts Over(Under) Expenditures	26,670.03	(24,797.05)		
Unencumbered Cash, Beginning	4,713.82	31,383.85		
Unencumbered Cash, Ending	\$ 31,383.85	\$ 6,586.80		

CITY OF SEVERY, KANSAS
SEWER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Charges for Services				
Sewer Collections	\$ 25,890.85	\$ 24,889.96	\$ 21,587.00	\$ 3,302.96
Penalties	81.02	-	211.00	(211.00)
Other Receipts				
Miscellaneous	3.20	-	-	-
Total Receipts	<u>25,975.07</u>	<u>24,889.96</u>	<u>\$ 21,798.00</u>	<u>\$ 3,091.96</u>
Expenditures				
Collections				
Personal Services	11,935.24	21,716.97	\$ 10,689.00	\$ 11,027.97
Contractual Services	9,010.77	1,213.95	2,000.00	(786.05)
Commodities	348.31	1,226.33	3,000.00	(1,773.67)
Capital Outlay	852.55	-	23,956.00	(23,956.00)
Debt Service				
Principal - Revolving Loan	6,660.82	6,843.22	6,843.00	0.22
Interest - Revolving Loan	3,127.68	2,945.28	2,945.00	0.28
Operating Transfers to				
Street 1% Sales Tax Fund	-	10,000.00	-	10,000.00
General Fund	2,256.81	7,163.13	6,000.00	1,163.13
Total Expenditures	<u>34,192.18</u>	<u>51,108.88</u>	<u>\$ 55,433.00</u>	<u>\$ (4,324.12)</u>
Receipts Over(Under) Expenditures	(8,217.11)	(26,218.92)		
Unencumbered Cash, Beginning	<u>41,207.15</u>	<u>32,990.04</u>		
Unencumbered Cash, Ending	<u>\$ 32,990.04</u>	<u>\$ 6,771.12</u>		

CITY OF SEVERY, KANSAS
SOLID WASTE FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Year Ended December 31, 2015)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Charges for Services				
Collection Fees	\$ 22,427.25	\$ 27,432.66	\$ 23,100.00	\$ 4,332.66
Penalties	95.14	-	233.00	(233.00)
Use of Money and Property				
Interest Income	15.46	15.54	-	15.54
Total Receipts	<u>22,537.85</u>	<u>27,448.20</u>	<u>\$ 23,333.00</u>	<u>\$ 4,115.20</u>
Expenditures				
General Utility Services				
Contractual Services	23,613.91	23,779.54	\$ 23,000.00	\$ 779.54
Commodities	-	-	1,121.00	(1,121.00)
Total Expenditures	<u>23,613.91</u>	<u>23,779.54</u>	<u>\$ 24,121.00</u>	<u>\$ (341.46)</u>
Receipts Over(Under) Expenditures	(1,076.06)	3,668.66		
Unencumbered Cash, Beginning	<u>455.02</u>	<u>(621.04)</u>		
Unencumbered Cash, Ending	<u>\$ (621.04)</u>	<u>\$ 3,047.62</u>		

CITY OF SEVERY, KANSAS
FIREMANS RELIEF FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Year Ended December 31, 2015)

	Prior Year Actual	Current Year Actual
Receipts		
Other Receipts		
Donations	\$ 120.00	\$ 18.47
Miscellaneous	-	120.00
	<u>120.00</u>	<u>138.47</u>
Total Receipts	<u>120.00</u>	<u>138.47</u>
Expenditures		
General Government		
Contractual	-	50.00
	<u>-</u>	<u>50.00</u>
Total Expenditures	<u>-</u>	<u>50.00</u>
Receipts Over(Under) Expenditures	120.00	88.47
Unencumbered Cash, Beginning	<u>247.05</u>	<u>367.05</u>
Unencumbered Cash, Ending	<u><u>\$ 367.05</u></u>	<u><u>\$ 455.52</u></u>

CITY OF SEVERY, KANSAS
HEALTH CARE TRUST FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Totals for the Year Ended December 31, 2015)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfers from Employee Benefits Fund	\$ 4,166.55	\$ -
Total Receipts	4,166.55	-
Expenditures		
General Government Personal Services	9,901.89	-
Total Expenditures	9,901.89	-
Receipts Over(Under) Expenditures	(5,735.34)	-
Unencumbered Cash, Beginning	5,735.34	-
Unencumbered Cash, Ending	\$ -	\$ -

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

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL CFDA NUMBER	CASH RECEIPTS	DISBURSE- MENTS/ EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>				
Passed through the Kansas Dept. of Commerce:				
Community Development Block Grant - Water	15-PF-013	14.228	\$ 388,186.68	\$ 388,186.68
			<u>388,186.68</u>	<u>388,186.68</u>
Total U.S. Department of Housing & Urban Development			388,186.68	388,186.68
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Water and Waste Disposal Systems for Rural Communities:				
Loan	N/A	10.760	830,000.00	953,588.09
Grant	N/A	10.760	343,565.31	200,377.93
Total U.S. Department of Agriculture		Total 10.760 (M)	1,173,565.31	1,153,966.02
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Passed through the Kansas Dept. Health & Environment:				
Capitalization Grants for Drinking Water State Revolving Funds	264851314DG	66.468	3,000.25	3,000.25
TOTAL ALL PROGRAMS			<u>\$ 1,564,752.24</u>	<u>\$ 1,545,152.95</u>

NOTE A -- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Severy, Kansas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statement.

NOTE B -- INDIRECT COSTS

The City of Severy, Kansas did not elect to use the 10% de minimis cost rate.

(M) - Major Program

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Mayor and City Council
City of Severy, 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 Severy, as of and for the year ended December 31, 2016, and the related notes to the financial statement, which collectively comprise the City of Severy's basic financial statement, and have issued our report thereon dated July 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City of Severy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Severy's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Severy'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Severy's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
July 31, 2017

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**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 Severy, Kansas

Report on Compliance for Each Major Federal Program

We have audited the City of Severy'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 of Severy's major federal programs for the year ended December 31, 2016. City of Severy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Severy'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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit 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 of Severy'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 of Severy's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Severy, 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 of Severy, 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 of Severy'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 of Severy'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.

Purpose of this Report

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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
July 31, 2017

CITY OF SEVERY, KANSAS

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

I. SUMMARY OF AUDITORS' RESULTS

Financial Statement:

The auditors' report expresses an adverse opinion on the basic financial statement of City of Severy, Kansas on the Generally Accepted Accounting Principles (GAAP) basis of accounting and an unmodified opinion on the regulatory basis of accounting.

Internal Control over Financial Reporting:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiencies identified?	_____	Yes	<u> X </u>	None Reported
Noncompliance or other matters required to be reported under <i>Government Auditing Standards</i>	_____	Yes	<u> X </u>	No

Federal Awards:

Internal control over major programs:				
Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Significant deficiencies identified?	_____	Yes	<u> X </u>	None Reported

The auditors' report on compliance for the major federal award programs for City of Severy, Kansas expresses an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? _____ Yes X No

Identification of major programs:

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Water and Waste Disposal Systems for Rural Communities – CFDA No. 10.760

The threshold for distinguishing Types A and B programs was \$750,000.00.

Auditee qualified as a low risk auditee? _____ Yes X No

II. FINANCIAL STATEMENT FINDINGS

NONE

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

CITY OF SEVERY, KANSAS

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2016

December 31, 2015:

No Findings in the Prior Year Audit