



INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Mayor and City Council
City of Severy
Severy, Kansas

Management is responsible for the accompanying historical financial statements of the City of Severy, included in the accompanying prescribed form for the year ended December 31, 2015, in accordance with the Kansas Department of Administration – Municipal Services. We have performed a compilation engagement of the historical financial information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the historical financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these historical financial statements.

We have also compiled the accompanying forecasted budget in the accompanying prescribed form of the City of Severy for the years ending December 31, 2016 and 2017 in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation of forecasted statements limited to presenting in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecasts and, accordingly, do not express an opinion or any other form of assurance on the accompanying forecasted statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Other Matters

The historical financial statements included in the accompanying prescribed form are intended to comply with the requirements of the Kansas Department of Administration – Municipal Services, and are not intended to be presented in accordance with accounting principles generally accepted in the United States of America.

The budget included in the accompanying prescribed form is intended to comply with the requirements of the Kansas Department of Administration – Municipal Services, and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Jarred, Gilmore & Phillips, PA".

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
August 1, 2016

Jarred, Gilmore & Phillips, PA
CERTIFIED PUBLIC ACCOUNTANTS

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City of Severy

2017

Computation to Determine Limit for 2017

| | Amount of Levy |
|---|-----------------------|
| 1. Total tax levy amount in 2016 budget | + \$ <u>70,895</u> |
| 2. Debt service levy in 2016 budget | - \$ <u>0</u> |
| 3. Tax levy excluding debt service | \$ <u>70,895</u> |

2016 Valuation Information for Valuation Adjustments

| | | |
|--|-----------------|-------------------|
| 4. New improvements for 2016: | + <u>1,402</u> | |
| 5. Increase in personal property for 2016: | | |
| 5a. Personal property 2016 | + <u>42,555</u> | |
| 5b. Personal property 2015 | - <u>46,770</u> | |
| 5c. Increase in personal property (5a minus 5b) | + <u>0</u> | |
| | | (Use Only if > 0) |
| 6. Valuation of annexed territory for 2016: | | |
| 6a. Real estate | + <u>0</u> | |
| 6b. State assessed | + <u>0</u> | |
| 6c. New improvements | - <u>0</u> | |
| 6d. Total adjustment (sum of 6a, 6b, and 6c) | + <u>0</u> | |
| 7. Valuation of property that has changed in use during 2016: | | <u>0</u> |
| 8. Total valuation adjustment (sum of 4, 5c, 6d & 7) | | <u>1,402</u> |
| 9. Total estimated valuation July 1, 2016 | <u>792,738</u> | |
| 10. Total valuation less valuation adjustment (9 minus 8) | | <u>791,336</u> |
| 11. Factor for increase (8 divided by 10) | | <u>0.00177</u> |
| 12. Amount of increase (11 times 3) | | + \$ <u>126</u> |
| 13. 2017 budget tax levy, excluding debt service, prior to CPI adjustment (3 plus 12) | | \$ <u>71,021</u> |
| 14. Debt service levy in this 2017 budget | | <u>0</u> |
| 15. 2017 tax levy, including debt service, prior to CPI adjustment (13 plus 14) | | <u>71,021</u> |
| 16. Consumer Price Index for all urban consumers for calendar year 2015 | | <u>0.125%</u> |
| 17. Consumer Price Index adjustment (3 times 16) | | \$ <u>89</u> |
| 18. Maximum levy for budget year 2017, including debt service, not requiring 'notice of vote publication' or adoption of a resolution prior to adoption of the budget (15 plus 17) | | \$ <u>71,110</u> |

If the 2017 adopted budget includes a total property tax levy exceeding the dollar amount in line 18 you must, prior to adoption of such budget, adopt a resolution authorizing such levy and, subsequent to adoption of such budget, publish notice of vote by the governing body to adopt such budget in the official county newspaper and attach a copy of the published notice to this budget.

In no event will such resolution or published notice of the vote be required if the total budget year tax levy is \$1,000 or less.

See accompanying summary of significant forecasts and accountants' compilation report.

City of Severy

2017

| Adopted Budget General Fund - Detail Expenditures | Prior Year Actual for 2015 | Current Year Estimate for 2016 | Proposed Budget Year for 2017 |
|--|-------------------------------|-----------------------------------|----------------------------------|
| Expenditures: | | | |
| General Government | | | |
| Personal Services | 29,439 | 29,656 | 31,139 |
| Contractual Services | 41,049 | 47,157 | 43,827 |
| Commodities | 12,586 | 7,662 | 7,662 |
| Capital Outlay | 0 | 0 | 0 |
| | | | |
| | | | |
| Total | 83,074 | 84,475 | 82,628 |
| Streets | | | |
| Contractual Services | 4,229 | 0 | 4,300 |
| | | | |
| | | | |
| Total | 4,229 | 0 | 4,300 |
| Debt Service | | | |
| Capital Lease | 8,016 | 0 | 0 |
| | | | |
| | | | |
| Total | 8,016 | 0 | 0 |
| Capital Outlay | | | |
| Capital Outlay | 0 | 0 | 14,382 |
| | | | |
| | | | |
| Total | 0 | 0 | 14,382 |
| | | | |
| | | | |
| Total | 0 | 0 | 0 |
| | | | |
| | | | |
| Total | 0 | 0 | 0 |
| | | | |
| | | | |
| Total | 0 | 0 | 0 |
| Page Total | 95,319 | 84,475 | 101,310 |

(Note: Should agree with general sub-totals.)

See accompanying summary of significant forecast assumptions and accountants' compilation report.

City of Severy

2017

FUND PAGE FOR FUNDS WITH A TAX LEVY

| Adopted Budget | Prior Year | Current Year | Proposed Budget |
|---|------------------------------------|-------------------|----------------------|
| Cemetery | Actual for 2015 | Estimate for 2016 | Year for 2017 |
| Unencumbered Cash Balance Jan 1 | 1,411 | 2,648 | 2,738 |
| Receipts: | | | |
| Ad Valorem Tax | 5,590 | 5,717 | xxxxxxxxxxxxxxxxxxxx |
| Delinquent Tax | 475 | 497 | 455 |
| Motor Vehicle Tax | 1,107 | 1,202 | 1,177 |
| Recreational Vehicle Tax | 20 | 24 | 24 |
| 16/20M Vehicle Tax | 4 | 3 | 3 |
| Commercial Vehicle Tax | 0 | 52 | 51 |
| Watercraft Tax | 0 | 0 | 0 |
| Sale of Lots | 900 | 300 | 300 |
| Burial Fees | 1,600 | 700 | 700 |
| Interest on Idle Funds | 0 | 0 | 0 |
| Neighborhood Revitalization Rebate | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% Total Rec | | | |
| Total Receipts | 9,696 | 8,495 | 2,710 |
| Resources Available: | 11,107 | 11,143 | 5,448 |
| Expenditures: | | | |
| General Government | | | |
| Personal Services | 3,059 | 3,058 | 3,211 |
| Contractual Services | 5,400 | 5,347 | 6,000 |
| Commodities | 0 | 0 | 1,922 |
| | | | |
| Cash Basis Reserve (2017 column) | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% of Total Ex | | | |
| Total Expenditures | 8,459 | 8,405 | 11,133 |
| Unencumbered Cash Balance Dec 31 | 2,648 | 2,738 | xxxxxxxxxxxxxxxxxxxx |
| 2015/2016/2017 Budget Authority Amount | 13,200 | 10,452 | 11,133 |
| | Non-Appropriated Balance | | |
| | Total Expenditure/Non-Appr Balance | | 11,133 |
| | Tax Required | | 5,685 |
| Delinquent Comp Rate: | 8.0% | | 455 |
| Amount of 2016 Ad Valorem Tax | | | 6,140 |

| Adopted Budget | Prior Year | Current Year | Proposed Budget |
|--|------------------------------------|-------------------|----------------------|
| Employee Benefits | Actual for 2015 | Estimate for 2016 | Year for 2017 |
| Unencumbered Cash Balance Jan 1 | 6,247 | 5,906 | 6,188 |
| Receipts: | | | |
| Ad Valorem Tax | 10,541 | 7,987 | xxxxxxxxxxxxxxxxxxxx |
| Delinquent Tax | 1,155 | 694 | 213 |
| Motor Vehicle Tax | 2,881 | 2,266 | 1,644 |
| Recreational Vehicle Tax | 40 | 45 | 33 |
| 16/20M Vehicle Tax | 6 | 6 | 4 |
| Commercial Vehicle Tax | 0 | 99 | 72 |
| Watercraft Tax | 0 | 0 | 0 |
| Donations | 18 | 0 | 0 |
| Interest on Idle Funds | 0 | 0 | 0 |
| Neighborhood Revitalization Rebate | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% Total Rec | | | |
| Total Receipts | 14,641 | 11,097 | 1,966 |
| Resources Available: | 20,888 | 17,003 | 8,154 |
| Expenditures: | | | |
| General Government | | | |
| Personal Services | 10,815 | 10,815 | 10,815 |
| | | | |
| Operating Transfers to | | | |
| Health Care Trust Fund | 4,167 | 0 | 0 |
| | | | |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% of Total E | | | |
| Total Expenditures | 14,982 | 10,815 | 10,815 |
| Unencumbered Cash Balance Dec 31 | 5,906 | 6,188 | xxxxxxxxxxxxxxxxxxxx |
| 2015/2016/2017 Budget Authority Amount | 15,000 | 23,650 | 10,815 |
| | Non-Appropriated Balance | | |
| | Total Expenditure/Non-Appr Balance | | 10,815 |
| | Tax Required | | 2,661 |
| Delinquent Comp Rate: | 8.0% | | 213 |
| Amount of 2016 Ad Valorem Tax | | | 2,874 |

See accompanying summary of significant forecast assumptions and accountants' compilation report.

City of Severy

2017

FUND PAGE FOR FUNDS WITH NO TAX LEVY

| Adopted Budget Special Highway | Prior Year Actual for 2015 | Current Year Estimate for 2016 | Proposed Budget Year for 2017 |
|--|-------------------------------|-----------------------------------|----------------------------------|
| Unencumbered Cash Balance Jan 1 | 16,756 | 1,331 | 2,926 |
| Receipts: | | | |
| State of Kansas Gas Tax | 6,420 | 6,320 | 6,260 |
| County Transfers Gas | 2,812 | 0 | 0 |
| Sales Tax | 26,276 | 0 | 0 |
| Donations | 18 | 18 | |
| Interest on Idle Funds | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% Total Rec | | | |
| Total Receipts | 35,526 | 6,338 | 6,260 |
| Resources Available: | 52,282 | 7,669 | 9,186 |
| Expenditures: | | | |
| General Government | | | |
| Personal Services | 24,726 | 1,443 | 1,515 |
| Contractual Services | 4,300 | 3,220 | 3,220 |
| Commodities | 21,925 | 80 | 4,451 |
| Capital Outlay | 0 | 0 | 0 |
| Operating Transfer to: | | | |
| Street Sales Tax | 0 | 0 | 0 |
| Cash Forward (2017 column) | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% Total Exp | | | |
| Total Expenditures | 50,951 | 4,743 | 9,186 |
| Unencumbered Cash Balance Dec 31 | 1,331 | 2,926 | 0 |
| 2015/2016/2017 Budget Authority Amount | 6,380 | 68,586 | 9,186 |

See Tab A

Adopted Budget

| Parks | Prior Year Actual for 2015 | Current Year Estimate for 2016 | Proposed Budget Year for 2017 |
|---|-------------------------------|-----------------------------------|----------------------------------|
| Unencumbered Cash Balance Jan 1 | 1,021 | 20 | 0 |
| Receipts: | | | |
| State Grant | 1,030 | 1,030 | 1,030 |
| | | | |
| | | | |
| Interest on Idle Funds | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% Total Rec | | | |
| Total Receipts | 1,030 | 1,030 | 1,030 |
| Resources Available: | 2,051 | 1,050 | 1,030 |
| Expenditures: | | | |
| Culture and Recreation | | | |
| Personal Services | 0 | 0 | 0 |
| Contractual Services | 0 | 1,050 | 1,030 |
| Commodities | 702 | 0 | 0 |
| Capital Outlay | 1,329 | 0 | 0 |
| | | | |
| Cash Forward (2017 column) | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% Total Exp | | | |
| Total Expenditures | 2,031 | 1,050 | 1,030 |
| Unencumbered Cash Balance Dec 31 | 20 | 0 | 0 |
| 2015/2016/2017 Budget Authority Amount | 2,440 | 2,750 | 1,030 |

See accompanying summary of significant forecast assumptions and accountants' compilation report.

City of Severy

2017

FUND PAGE FOR FUNDS WITH NO TAX LEVY

| Adopted Budget Water Utility | Prior Year Actual for 2015 | Current Year Estimate for 2016 | Proposed Budget Year for 2017 |
|---|-------------------------------|-----------------------------------|----------------------------------|
| Unencumbered Cash Balance Jan 1 | 4,714 | 31,384 | 22,274 |
| Receipts: | | | |
| Water Receipts | 76,756 | 74,432 | 74,432 |
| Tower Maintenance Fee | 11,769 | 11,951 | 11,951 |
| Water KDHE Collections | 42,939 | 53,830 | 53,830 |
| Penalties | 748 | 747 | 747 |
| Bulk Water Sales | 780 | 789 | 789 |
| Reconnection Fees | 445 | 0 | 0 |
| Donations | 18 | 0 | 0 |
| Interest on Idle Funds | 27 | 33 | 33 |
| Miscellaneous | 870 | 3,195 | 0 |
| Does miscellaneous exceed 10% Total Rec | | | |
| Total Receipts | 134,352 | 144,977 | 141,782 |
| Resources Available: | 139,066 | 176,361 | 164,056 |
| Expenditures: | | | |
| Distribution | | | |
| Personal Services | 17,634 | 29,645 | 31,128 |
| Contractual Services | 24,609 | 26,075 | 26,075 |
| Commodities | 23,388 | 36,101 | 36,101 |
| Capital Outlay | 10,192 | 2,900 | 20,992 |
| Water Tower Maintenance | 6,882 | 0 | 15,000 |
| Debt Service | | | |
| Principal - Revolving Loan | 8,497 | 4,297 | 0 |
| Interest - Revolving Loan | 2,611 | 1,690 | 0 |
| Principal - Revolving Loan Payoff | 0 | 45,363 | 0 |
| Interest - Temporary Notes | 0 | 0 | 26,744 |
| Capital Lease - Backhoe | 0 | 8,016 | 8,016 |
| Operating Transfers to | | | |
| General Fund | 13,869 | 0 | 0 |
| Cash Forward (2017 column) | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% Total Exp | | | |
| Total Expenditures | 107,682 | 154,087 | 164,056 |
| Unencumbered Cash Balance Dec 31 | 31,384 | 22,274 | 0 |
| 2015/2016/2017 Budget Authority Amount | 171,755 | 192,519 | 164,056 |

Adopted Budget

| Adopted Budget Sewer Utility | Prior Year Actual for 2015 | Current Year Estimate for 2016 | Proposed Budget Year for 2017 |
|---|-------------------------------|-----------------------------------|----------------------------------|
| Unencumbered Cash Balance Jan 1 | 41,207 | 32,990 | 18,148 |
| Receipts: | | | |
| Sewer Collections | 25,891 | 25,073 | 25,073 |
| Penalties | 81 | 0 | 0 |
| Interest on Idle Funds | 0 | 0 | 0 |
| Miscellaneous | 3 | 0 | 0 |
| Does miscellaneous exceed 10% Total Rec | | | |
| Total Receipts | 25,975 | 25,073 | 25,073 |
| Resources Available: | 67,182 | 58,063 | 43,221 |
| Expenditures: | | | |
| Collections | | | |
| Personal Services | 11,935 | 22,581 | 23,710 |
| Contractual Services | 9,011 | 1,198 | 2,000 |
| Commodities | 348 | 348 | 1,722 |
| Capital Outlay | 852 | 0 | 0 |
| Debt Service | | | |
| Principal - Revolving Loan | 6,661 | 6,843 | 7,031 |
| Interest - Revolving Loan | 3,128 | 2,945 | 2,758 |
| Transfers to General Fund | 2,257 | 6,000 | 6,000 |
| Cash Forward (2017 column) | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% Total Exp | | | |
| Total Expenditures | 34,192 | 39,915 | 43,221 |
| Unencumbered Cash Balance Dec 31 | 32,990 | 18,148 | 0 |
| 2015/2016/2017 Budget Authority Amount | 51,231 | 55,433 | 43,221 |

See accompanying summary of significant forecast assumptions and accountants' compilation report.

City of Severy

2017

FUND PAGE FOR FUNDS WITH NO TAX LEVY

| Adopted Budget Solid Waste Utility | Prior Year Actual for 2015 | Current Year Estimate for 2016 | Proposed Budget Year for 2017 |
|---|-------------------------------|-----------------------------------|----------------------------------|
| Unencumbered Cash Balance Jan 1 | 455 | -622 | 41 |
| Receipts: | | | |
| Collection Fees | 22,427 | 24,679 | 25,129 |
| Penalties | 95 | 89 | 89 |
| | | | |
| Interest on Idle Funds | 15 | 16 | 16 |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% Total Rec | | | |
| Total Receipts | 22,537 | 24,784 | 25,234 |
| Resources Available: | 22,992 | 24,162 | 25,275 |
| Expenditures: | | | |
| General Government | | | |
| Personal Services | 0 | 0 | 0 |
| Contractual Services | 23,614 | 24,121 | 25,275 |
| Commodities | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 0 |
| Operating Transfer to | | | |
| General Fund | 0 | 0 | 0 |
| Cash Forward (2017 column) | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% Total Exp | | | |
| Total Expenditures | 23,614 | 24,121 | 25,275 |
| Unencumbered Cash Balance Dec 31 | -622 | 41 | 0 |
| 2015/2016/2017 Budget Authority Amount | 44,355 | 24,121 | 25,275 |

See Tab B

Adopted Budget

| Street Sales Tax | Prior Year Actual for 2015 | Current Year Estimate for 2016 | Proposed Budget Year for 2017 |
|---|-------------------------------|-----------------------------------|----------------------------------|
| Unencumbered Cash Balance Jan 1 | 0 | 0 | 19,729 |
| Receipts: | | | |
| Sales Tax | 0 | 22,158 | 24,158 |
| Operating Transfer from: | | | |
| Special Highway | 0 | 0 | 0 |
| | | | |
| Interest on Idle Funds | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% Total Rec | | | |
| Total Receipts | 0 | 22,158 | 24,158 |
| Resources Available: | 0 | 22,158 | 43,887 |
| Expenditures: | | | |
| General Government | | | |
| Personal Services | 0 | 2,429 | 2,550 |
| Contractual Services | 0 | 0 | 0 |
| Commodities | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 41,337 |
| | | | |
| Cash Forward (2017 column) | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 |
| Does miscellaneous exceed 10% Total Exp | | | |
| Total Expenditures | 0 | 2,429 | 43,887 |
| Unencumbered Cash Balance Dec 31 | 0 | 19,729 | 0 |
| 2015/2016/2017 Budget Authority Amount | 0 | 22,158 | 43,887 |

See accompanying summary of significant forecast assumptions and accountants' compilation report.

NOTICE OF BUDGET HEARING

The governing body of
City of Severy

will meet on August 22, 2016 at 7:00 PM at City Hall for the purpose of hearing and answering objections of taxpayers relating to the proposed use of all funds and the amount of ad valorem tax. Detailed budget information is available at City Hall and will be available at this hearing.

BUDGET SUMMARY

Proposed Budget 2017 Expenditures and Amount of 2016 Ad Valorem Tax establish the maximum limits of the 2017 budget. Estimated Tax Rate is subject to change depending on the final assessed valuation.

| FUND | Prior Year Actual for 2015 | | Current Year Estimate for 2016 | | Proposed Budget for 2017 | | |
|--------------------------------------|----------------------------|-------------------|--------------------------------|-------------------|-----------------------------------|-------------------------------|---------------------|
| | Expenditures | Actual Tax Rate * | Expenditures | Actual Tax Rate * | Budget Authority for Expenditures | Amount of 2016 Ad Valorem Tax | Estimate Tax Rate * |
| General | 95,819 | 64.151 | 87,475 | 69.542 | 101,310 | 66,060 | 83.332 |
| Cemetery | 8,459 | 7.744 | 8,405 | 7.717 | 11,133 | 6,140 | 7.745 |
| Employee Benefits | 14,982 | 14.601 | 10,815 | 10.780 | 10,815 | 2,874 | 3.625 |
| Special Highway | 50,951 | | 4,743 | | 9,186 | | |
| Parks | 2,031 | | 1,050 | | 1,030 | | |
| Water Utility | 107,682 | | 154,087 | | 164,056 | | |
| Sewer Utility | 34,192 | | 39,915 | | 43,221 | | |
| Solid Waste Utility | 23,614 | | 24,121 | | 25,275 | | |
| Street Sales Tax | | | 2,429 | | 43,887 | | |
| Non-Budgeted Funds-A | 152,330 | | | | | | |
| Non-Budgeted Funds-B | 9,902 | | | | | | |
| Totals | 499,962 | 86.496 | 333,040 | 88.039 | 409,913 | 75,074 | 94.702 |
| Less: Transfers | 20,793 | | 9,000 | | 6,000 | | |
| Net Expenditure | 479,169 | | 324,040 | | 403,913 | | |
| Total Tax Levied | 68,572 | | 70,895 | | xxxxxxxxxxxxxxxxxxxx | | |
| Assessed Valuation | 792,781 | | 805,275 | | 792,738 | | |
| Outstanding Indebtedness, January 1, | | | | | | | |
| G.O. Bonds | 0 | | 0 | | 0 | | |
| Revenue Bonds | 189,497 | | 174,899 | | 159,742 | | |
| Other | 0 | | 0 | | 275,000 | | |
| Lease Purchase Principal | 154,562 | | 36,467 | | 29,767 | | |
| Total | 344,059 | | 211,366 | | 464,509 | | |

*Tax rates are expressed in mills

City of Severy

City Official Title: City Clerk

See accompanying summary of significant forecast assumptions and accountants' compilation report.

City of Severy, Kansas
Summary of Significant Forecast Assumptions
For the Years Ended December 31, 2016 and 2017

This financial forecast presents, to the best of management's knowledge and belief, the City's expected summarized financial information for the forecasted periods. Accordingly, the forecast reflects management's judgement as of August 1, 2016, the date of this forecast, of the expected conditions and its expected course of action. The presentation of prospective information is for compliance with Kansas law requiring municipalities to file an annual budget with their respective county and the Kansas Department of Administration - Municipal Services office. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Forecasted Results for the Year Ending December 31, 2016

Forecasted results for the year ending December 31, 2016, were calculated by annualizing the results of operations for the period January 1, 2016, through June 30, 2016, with the following adjustments:

Property tax receipts for tax levying funds were estimated based upon a collection rate of 92% of the amount of taxes levied for 2016.

Receipts for motor vehicle tax, recreational vehicle tax, 16/20 M vehicle tax, commercial tax, and watercraft tax in tax levying funds were based upon estimates provided by the county during preparation of the 2016 annual budget.

State highway gas tax receipts were based upon estimates updated and provided from the League of Kansas Municipalities.

Forecasted Results for the Year Ending December 31, 2017

Forecasted results for the year ending December 31, 2017, were based upon the forecasted results of operations for the year ending December 31, 2016. With the exception of the items listed below, receipts and expense amounts from 2016 were used for 2017.

Receipts

Property tax receipts for tax levying funds were estimated based upon estimated assessed valuations provided by the county and limited, overall, to the amount calculated to be in compliance with the Kansas tax lid law.

Receipts for motor vehicle tax, recreational vehicle tax, 16/20 M vehicle tax, commercial tax, and watercraft tax in tax levying funds were based upon estimates provided by the county for preparation of the 2017 annual budget.

State highway gas tax receipts were based upon estimates updated and provided from the League Kansas of Municipalities.

Expenses

Expenses for personal services were estimated based upon a 5% increase over 2016 estimated amounts.

The City is transferring \$6,000 from the Sewer Utility Fund to the General Fund in 2016 and 2017 and \$3,000 from the General Fund to the Fire Reserve Fund in 2016.

CITY OF SEVERY

P.O. BOX 128

SEVERY, KS. 67137

PHONE: 620-736-2323

FAX: 620-736-2349

August 1, 2016

Jarred, Gilmore & Phillips, PA

PO Box 779

Chanute, Kansas 66720

In connection with your compilation of the forecasted financial information and summaries of significant assumptions of the City of Severy, Kansas, for the years ended December 31, 2016 and 2017, we make the following representations:

1. The financial forecast presents our assumptions and, to the best of our knowledge and belief, the City's expected results of operations for the period in conformity with the 2016-2017 State of Kansas City Budget Form expected to be used by the City during the forecast period, which are consistent with the principles that the City of Severy, Kansas, uses in preparing its historical financial statements.
2. The financial forecast is presented in conformity with guidelines for presenting a financial forecast established by the American Institute of Public Accountants.
3. The financial forecast reflects our judgement, based on present circumstances, of the expected conditions and our expected course of action.

4. We have made available to you all significant information that we believe is relevant to the forecast.

5. We believe that the assumptions underlying the forecast are reasonable and appropriate.

6. To the best of our knowledge and belief, the documents and records supporting the assumptions are appropriate.

Signature: Jerry Eulank

Signature:

Iniaa Koop

Title: Mayor Title: City Clerk